The Aging-and-Retiring Government Workforce

How Serious Is the Challenge? What Are Jurisdictions Doing About It?

A RESEARCH STUDY

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Sponsored by CPS Human Resource Services

In partnership with the International Personnel Management Association, the Council of State Governments, and the National Association of State Personnel Executives

National Partner for the Cross-Industry Study: The Business Forum on Aging

CPS Human Resource Services

THE CENTER FOR ORGANIZATIONAL RESEARCH
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Executive Summary

America is rapidly approaching a crisis in its workforce, triggered by the convergence of two demographic trends: the growing number of aging Baby Boomers in the population and the much smaller number of younger people who follow behind them.

These changes will play out in the workforce. The proportion of older workers is expected to shoot up an average of 4% *per year* between 2000 and 2015. The proportion of younger workers is shrinking.

Some sectors are experiencing the impacts of these trends much sooner than others. Government is among those at the leading edge. Given that it often looks to the private sector for innovations, it's ironic that, in this instance, government is in the vanguard. No sector is feeling the issue's impacts more forcefully or sooner than government is now.

Purpose of this Study

This research was designed as an exploratory study to investigate two questions:

1. What is the scope of the aging workforce and approaching retirement wave within the government sector?

2. What innovative solutions have jurisdictions implemented to address those challenges and with what impacts?

Directed by Dr. Mary Young, the study was conducted by the Center for Organizational Research, a division of Linkage, Inc. It was sponsored by CPS Human Resource Services. Three associations served as partners: the International Personnel Management Association (IPMA), the Council of State Governments (CSG), and the National Association of State Personnel Executives (NASPE). Our National Partner for the cross-industry study was the Business Forum on Aging.

Summary of the Results

Question 1: What is the scope of the aging workforce and approaching retirement wave within the government sector?

Research Findings Part I compiles data and analyses on the age distribution of the workforce, retirement eligibility, and retirement forecasts at various levels of government. We conclude that:

1. Looking across all levels of government as of 2001, the government–sector workforce is older than its private-sector counterpart. It also has proportionately fewer young workers, a fact that increases the seriousness of the workforce challenges ahead.

2. A significant percentage of employees at all levels of government are approaching retirement eligibility.

3. Accurate forecasts of when employees will *actually* retire are more difficult to make, since those decisions are affected by environmental, organizational, occupational and individual-level factors.

4. A second factor affecting the accuracy of retirement forecasts is the quality of data available and the analysts' tools and skills, which the study found varied significantly across jurisdictions.

5. To fully answer Question 1, it is necessary to consider both the workforce numbers (future supply vs. future demand) and also what the jurisdiction is doing to close the gap between the two. Some jurisdictions facing significant retirements in the near future have a well-developed strategy for meeting future workforce needs. While fewer retirements may be forecasted in other jurisdictions, they could pose a more serious challenge if little is being done to address them. We conclude that workforce statistics, alone, do not answer the question fully.

Question 2: What innovative solutions have jurisdictions implemented to address those challenges and with what impacts?

Guided initially by recommendations from our sponsor, partner associations and other sources, we conducted scores of interviews to identify jurisdictions actively addressing the challenges of an aging-and-retiring workforce. Ultimately, we selected twelve jurisdictions to profile in Research Findings Part II. They represent different levels of government and a variety of approaches to meeting the challenges.

Federal government:

Tennessee Valley Authority

Air Force Materiel Command

Army

General Accounting Office

State government:

Maine

Minnesota Department of Transportation

Pennsylvania

Washington

Local government:

30 California counties

Henrico County, Virginia

City of Anaheim, California

City of Phoenix, Arizona

THE STUDY'S CONCLUSIONS

Based on the data we collected in answer to both research questions, we offer the following observations and conclusions, which are elaborated on in "Analysis of the Government-Sector Findings":

1. Multiple factors have made government one of the first sectors to bear the brunt of an aging national workforce:
   - Past employment patterns (periods of growth and downsizing, hiring freezes, early retirement incentives or buy-outs)
   - The declining appeal of public service
   - Competition with the private sector for talent
   - Lower retirement-eligibility criteria than most other sectors offer
   - Regulations that hamper jurisdictions from retaining older employees or rehiring retirees
   - Cut-backs in training that have depleted the talent pipeline
2. Things could be even worse, however. The human capital crisis in government is being tempered by a few significant countervailing forces:
   - The economic downturn has increased the potential candidate pool for government-sector job openings and made the comparative security of government employment more appealing.
   - Public service careers may have new cachet after September 11th.
   - Retirement-eligible employees may choose to continue working because of the declining value of their retirement investments and/or the rising cost of retiree health benefits.
3. Greater aging workforce challenges do not necessarily require bigger organizational responses. In fact, identifying the most strategic trouble spots and then *selectively* addressing them appears to be more effective—and certainly more doable—than increasing the scope of the organization's response in proportion to its aging workforce challenges.
4. Data rule. Securing accurate data is the essential, first step in addressing the challenges of an aging and soon-to-retire workforce. With such information, a jurisdiction can:
   - Plan effectively
   - Identify areas needing immediate attention
   - Persuade senior executives and policy-makers
   - Mobilize individual stakeholders to take action

5. The challenges of an aging-and-retiring workforce are new, but the tactics for dealing with them are familiar and, in many cases, already in place. However, what *is* new:

   – The driving force for adopting or intensifying these tactics

   – The sense of urgency

   – The need to adapt some familiar tactics to a different demographic profile or new employees populations

6. Workforce planning isn't rocket science. But its execution is what separates best practice from hit-or-miss approaches. Among the variations in workforce planning that the study identified:

   – Centralized vs. decentralized vs. hybrid approach

   – Elective vs. mandated process

   – Occasional or one-time process vs. ongoing and institutionalized one, and the frequency with which analyses are updated and refined

   – Dynamic vs. static model

7. Keep it simple. If you want line managers to do regular workforce planning, you've got to make it uncomplicated for them and integrate it with other processes, such as strategic planning or the budget process.

8. To close the gap between future workforce supply-and-demand, jurisdictions need a coordinated action plan that may include all phases of the employee life cycle. The jurisdictions in our study that have committed themselves fully to addressing the challenges of an aging-and-retiring workforce employ a comprehensive human resource strategy that includes:

   – Recruitment and selection

   – Performance management

   – Compensation and benefits

   – Training and development

   – Leadership development (including succession management, coaching and mentoring)

   – Career management

   – Retention

   – Retirement

9. Many jurisdictions currently feel pulled in two directions: Their workforce-planning process shows them there are serious challenges ahead due to an aging workforce and retirements, but their budgets are severely cut. There's pressure to choose a short-term fix, such as early retirements, layoffs, and reduced training.

10. Some structures—such as retirement eligibility criteria and policies governing phased retirement and rehiring retirees—may need to be changed to address the challenges of an aging-and-retiring workforce.

11. A current controversy should be resolved: Can an employer ask employees when they expect they will retire? We found opposing views on the question and one jurisdiction (Tennessee Valley Authority) that comes right out and *asks* older employees to tell them—voluntarily—when they anticipate they will retire. Those answers are more reliable, the TVA has found, than statistical forecasts based on past history.

12. Employees can be allies in preparing the organization to meet future human capital needs. In fact, they may be relieved that the jurisdiction is concerned about what will happen when they leave and eager to help with the transition.

13. Forewarned is forearmed. And forearmed is *confident*. One of the most striking benefits of thorough, ongoing workforce planning is the level of calm it provides— even in jurisdictions facing significant numbers of retirements.

THE SPONSORS' COMMENTS ON THE FINDINGS:

The commentary by CPS Human Resource Services elaborates on the following observations regarding the study's findings:

1. Even in the face of fiscal constraints, there is much that public sector leaders can do to manage the current human capital challenges while preparing their organization for the coming wave of retirements.

2. Some jurisdictions have developed and refined their approach to workforce planning to a very high level of sophistication.

3. It's not *just* about the numbers; it's about the shape of the workforce.

4. To meet the challenges of an aging workforce—or, for that matter, any other human resource challenge—an integrated approach to workforce planning is more effective than any individual tactic described in this report.

5. The most successful approaches to workforce planning engage managers at all levels of the organization, and are not just driven by HR.

6. The public sector has contributed to the problems it now faces by offering employees retirement eligibility much earlier than do private sector employers.

7. Public-sector employers are successfully adopting private-sector human resource practices.

8. We need to challenge the assumption that our employees' retirement intentions are a don't-ask-don't-tell issue.

9. Careers in government have much to offer. Jurisdictions must aggressively communicate those benefits to potential applicants and leverage them to retain their best employees.

10. The HR leader's role is changing as the need for strategic workforce planning increases.

Finally, Research Findings Part III offers frameworks, tools, and processes that jurisdictions can use to address the new set of challenges raised by an aging workforce.

The last section of the report is a Center for Organizational Research white paper written at the outset of our research: *Holding On: How the Mass Exodus of Retiring Baby Boomers Could Deplete the Workforce, What Some Employers Are Doing to Stem the Tide*. It synthesizes material drawn from many published sources, concluding that the aging-and-retiring workforce will be increasingly important in the future—becoming, in Peter Drucker's words, "the dominant factor in the next society."

About This Research

How We Got Started

“Why this topic?” people have asked repeatedly over the past nine months. Repeatedly, here is our answer:

The Center for Organizational Research isn’t just an independent research group. We also serve a membership group called the Linkage Learning Network (http://www.cfor.org/services/lln.asp). Organizations and individuals who join LLN participate in monthly teleconferences with thought-leaders, attend quarterly forums, get our help in doing issues-focused networking with other members, and receive white papers based on CFOR research.

Whenever an organization joins LLN, we interview them to learn about their needs. Invariably, one of our first questions is “What are your top HR challenges?”

That question led to this research. In the fall of 2002, when a large, independently owned utility joined LLN, we asked our company contact person—an executive who oversees leadership development—the HR-challenges question. His immediate answer: “The age bubble.”

Huh? we thought. Say that again?

Then he described the enormous challenge his utility was facing: When it looked across its senior management team, nearly all were over 50. That meant they were already eligible for early retirement, provided they had at least 10 years at the company. The next level down was only slightly younger. And below that were other managers who’d been hired at about the same time as the top executives. About half that group was also over 50. Once the utility realized it had level-upon-level of leaders who were close to retirement, it began doing everything it could to come up with a replacement pool. But to do so, it needed to reach much deeper into the organization than ever before to identify potential candidates. Then it had to accelerate their development and quickly winnow the best prospects from the rest.

The next time we talked to a utility company, we brought up the “age bubble” in our conversation. Did they have any concerns about the age of their workforce or a coming wave of retirements? They said they did, adding that it’s an *industry-wide* phenomenon.

Who else was feeling these pressures? And exactly how serious were the challenges to employers? Those questions led us to do an in-depth investigation of published information, including Bureau of Labor Statistics analyses, think-tank reports, and other documents. The result was our first white paper on the HR challenges of the aging US workforce, which is included in this report.

From that background research, we learned several important things

- The aging workforce and approaching retirement wave are not yet an across-the-board phenomenon, although they will be within the next decade. Today, these trends are affecting some sectors much sooner than others. At the leading edge are government, education, manufacturing, healthcare, transportation, and utilities.
- Since the combination of an aging workforce and a dramatic surge in retirements is a new phenomenon—literally *without precedent* in employment history—there is little research on organizational responses to this phenomenon and their impacts. To date, research on the human resource challenges posed by an aging and soon-to-retire workforce have focused on:
  - Older workers' views of retirement and their retirement patterns
  - HR professionals' views of older workers
  - Employers' practices and policies regarding older workers, such as retaining older workers, phased retirement and rehiring retirees
- Even in sectors where the aging-and-retiring workforce is a widespread problem, the issue is new enough that industry-level responses are limited. Rather, industry associations often point to a few early innovators, but most employers are just beginning to deal with these issues.

Having learned as much as we could through second-hand research, we homed in on the questions we wanted to investigate first hand:

1. What is the scope of the aging workforce and approaching retirement wave? Informally, we call this the "How bad is it?" question.
2. What innovative solutions have employers implemented to address those challenges and with what impacts? That's the "What are employers doing about it?" question.

We chose to pursue these questions in three sectors: government, utilities, and healthcare. The report that follows is based on the first of these sector studies.

THE RESEARCH DESIGN

To investigate the first question—the scope of the aging government workforce and retirement issue—we again sought out previously published reports and analyses. These were available for some levels of government but not for all.

- At the federal level: The Office of Management and Budget now requires that federal agencies conduct workforce analysis and planning as part of the annual budget process. The Office of Personnel Management provides extensive data, tools, and case studies on a special workforce planning website.
- At the state level: Two of our partner associations, the Council of State Governments and the National Association of State Personnel Executives, had just completed a national survey on the state worker shortage. It included questions about the average age of state workers and the percentage who would eligible for retirement within the next five years.
- At the local level: Data at this level are extremely limited, although at least one survey is planned for 2003 to collect workforce data for county governments.

To answer the second research question—innovative solutions employers have implemented to address the challenges of an aging-and-retiring, and their results—we turned to our research sponsor, partners, other associations and topical experts (see below) for initial recommendations. We paid attention when a jurisdiction was suggested. But we also looked for examples that hadn't already been published elsewhere, to avoid retelling already familiar stories.

Sometimes we interviewed a jurisdiction but decided not to include it in the report. In some cases, that was because they were using a fairly typical workforce planning process—end of story—or had just gotten started. In other cases, we learned their workforce planning efforts had been put on hold due to more pressing issues such as budget cuts, hiring freezes or a change in administration. In one case, the state's workforce planning expert had, himself, taken an early-out retirement offer, a sudden decision that left no immediate successor.

In the end, we chose twelve jurisdictions that represent different levels of government and a variety of approaches to meeting the challenges of an aging-and-retiring workforce. Each jurisdiction, we feel, has interesting insights to offer. Together, they present a broad range of tactics, many common themes, and a few significant differences.

Because the aging-and-retiring workforce is a new topic, this research is intended to be exploratory— to investigate the dimensions of a new issue rather than to count frequencies (How many do X?) or test hypotheses. Quantitative studies may follow. But first it is important to find out what jurisdictions experience as they begin to deal with this new set of challenges on top of the more familiar ones they already have. That is the task we undertook, the results of which we report here.

OUR RESEARCH SPONSOR AND PARTNERS

Early in the life of this project, we were fortunate to secure an ideal research sponsor: CPS Human Resource Services (http://www.cps.ca.gov). As a self-supporting government agency that works with public-sector employers to develop and enhance personnel programs, CPS brings to the study deep knowledge of government-sector human capital issues. Our three primary CPS contacts, Bob Lavigna, Pam Stewart and Ed Cole, have, between them, eight decades of experience as public-sector managers, HR executives, and consultants. Throughout their careers, they have also served as leaders of various professional associations. In fact, Bob was elected president of the International Personnel Association several months after we'd begun this study. CPS's name, and those of Pam, Bob, and Ed, invariably opened doors for us as we began cold-calling across government, tracking down examples of jurisdictions that we might consider profiling in this report.

CPS also helped us secure three important partner associations: the International Personnel Management Association (IPMA), the Council of State Governments (CSG), and the National Association of State Personnel Executives (NASPE). Each association provided generous help by suggesting jurisdictions we should interview, personal contacts to call, and other subject-matter experts who could aid in our quest. Time and again, we received a much warmer reception than we might have otherwise—simply because we were calling at the suggestion of one of these associations. We are grateful for the personal commitment that our association contacts made to this research: Neil Reichenberg of IPMA; David Moss and Sarah Pitt of the Council of State Governments; and Leslie Scott of NASPE.

OTHER SOURCES OF HELP

Other individuals and associations also made important contributions to the government-sector study:

John Palguta of the Partnership for Public Service

Donna Gregory, Rhonda Diaz, and Ralph Nenni of the Office of Personnel Management

Lisa Fairhall of the Office of Management and Budget

Jennifer Shaw, Federation of Public Employees/AFT

Jonathan Walters, a journalist and knowledgeable source on human resource/human capital issues in government

Mollie Anderson and Barbara Kroon of the Iowa Department of Personnel

In addition, we acknowledge contributions that others have made to our larger, three-sector study of the HR challenges raised by the aging workforce:

Diane Piktialis of Ceridian Performance Partners and president of the Business Forum on Aging

Marian Stoltz-Loike of SeniorThinking.com

Anne Chamberlain

Anna Rappaport of Mercer Human Resources Consulting

Finally, the study's lead-researcher-*cum*-report-author acknowledges the important contributions made by her Linkage colleagues:

Linda Murray, Director of the Center for Organizational Research, and our colleagues Tom Fasolo and Allison Arneill, for believing in this topic long before anyone else did.

Rich Rosier, Vice President of Conferences for enabling us to complete the studies, despite an unexpected downturn in the research business.

Jim Laughlin and Lori Hart of Linkage's Product Development Group, for investing weekends and evenings to ensure this report was improved and completed, against formidable odds.

HOW THIS REPORT IS ORGANIZED

The report begins with an analysis of the study's overall findings. We discuss common themes, obstacles, critical success factors, and insights, based on demographic data and the scores of interviews we completed. While the study focuses on the government sector, we bring to our analysis a broader perspective: Having conducted similar research in healthcare and energy, we pay particular attention to ways in which government compares to other sectors dealing with many of the same challenges.

Our sponsors, CPS Human Resource Services, follow with their own commentary on the study. Their perspective is different from ours, given their deep knowledge of the public sector and the intricacies of merit systems, civil service regulations, and the like, and their broad exposure to the issues that public organizations face nationwide.

CPS's commentary is followed by the research findings, which are organized into three parts:

- Part I answers the first research question by analyzing the scope of the aging-and-retiring workforce issue at various levels of government.
- Part II profiles the specific approaches that selected jurisdictions have implemented. Because these are new challenges, and only recently recognized, we prefer not to call these approaches as "best practice." That label still seems premature. Nevertheless, we chose these twelve jurisdictions after many months of investigation, confident that these examples rose to the top.
- Part III offers frameworks, tools, and processes that jurisdictions can use to address the new set of challenges raised by an aging workforce.

Finally, we've included our initial white paper, Holding On: How the Mass Exodus of Retiring Baby Boomers Could Deplete the Workforce, What Some Employers Are Doing to Stem the Tide. This report synthesizes previously published information and presents evidence that these issues will become increasingly important to employers in the future.

As always, we welcome comments on our research and this report. Please address them to the study's lead researcher, Dr. Mary Young (781-393-9691 or marybyoung@aol.com). To order a copy of this report or inquire about other Linkage research publications, contact Tom Fasolo (781-402-5545 or tfasolo@linkage-inc.com).

Final Analysis of the Government-Sector Findings

Based on our government-sector research on the human resource impacts of the aging workforce—How bad is it? And what are jurisdictions doing about it?—we offer the following observations. Grounded in the detailed profiles presented elsewhere in the report, this section identifies common themes and patterns across the jurisdictions, interesting differences, and a few surprises.

1. Multiple factors have made government one of the first sectors to bear the brunt of an aging national workforce.

   The fact that the government sector is at the forefront of two related trends that will ultimately affect many other sectors—a disproportionate number of older workers and many imminent retirements—can be explained by several factors. In the twelve jurisdictions profiled in this report, many, if not all, of the following contributed to the current human capital crisis:

   – Expanding the size of the workforce in the late 1960s and 1970s, in response to the mushrooming of government programs. This spate of hiring created a bulge that has subsequently moved closer and closer to the high end of the age continuum. The majority of employees approaching retirement age were hired during this period.

   – Periods of downsizing, such as the late 1980s and early 1990s, when jurisdictions cut back on hiring or stopped it altogether—a move that reduced the ongoing infusion of younger employees in the workforce. Many jurisdictions have also had one or more reductions in force. Since seasoned employees are more likely than newer (i.e., younger) ones to keep their jobs, such reductions further skewed the overall age distribution toward the upper end of the range.

   – To trim budgets, jurisdictions may have instituted early-retirement programs to encourage their most seasoned (and highly paid) employees to leave the workforce. Some organizations are doing so today. Depending on how this tactic is executed, it may exacerbate the "brain drain" problem if attention isn't paid to the longer-term consequences, such as the knowledge and skills that are being lost. (However, early retirement incentives do not necessarily lead to future problems. In other cases described in the report, such as the Air Force Materiel Command and the GAO, early retirement has been offered on a selective basis with longer-term objectives: to rebalance the workforce's age distribution and insure the right mix of skills and competencies for the future.)

   – The declining appeal of public service is viewed as an important contributing factor, particularly among those concerned about the human capital crisis in federal government. According to the Partnership for Public Service, only one in ten recent Phi Beta Kappa graduates ranked the federal government as their first choice for an employer. Just one-third of recent Kennedy School of Government graduates chose careers in public service, compared to 75% in 1980. The final report of the National Commission on the Public Service—

released on January 7, 2003, as this report was going to press—recommends several measures to increase the attractiveness of government careers.

- Given the intensity of talent wars across all sectors, human resource practices and policies have handicapped jurisdictions competing with the private sector for qualified employees. For example, application processes that are cumbersome and slow, civil service and merit system regulations that limit the selection pool, arcane job classifications, rigid compensation rules, and limited promotional opportunities—these and other idiosyncrasies of government employment have put it at a competitive disadvantage.
- Retirement programs that, in many jurisdictions, allow employees to retire earlier than typical private-sector policies, accelerating the impacts of a retirement wave.
- Retirement policies that are too inflexible to permit phased retirement.
- Reductions in training and development budgets, which, over time, have resulted in an inadequate pipeline of younger workers to replace older ones as they retire, particularly in leadership positions.

These factors—at least some of which are present in every jurisdiction we interviewed—combine to create a somewhat unusual outcome: The public sector often sees itself, not unjustifiably, as slower-moving than the private sector, as less a trend-setter than a trend-follower in regard to human resource practices. Yet it is actually in the *vanguard* when it comes to having to deal with the challenges of an aging workforce. No sector is feeling the issue's impacts more forcefully or sooner than government is now. For many private-sector employers, it is barely on the screen.

Ironically, then, the government can't look to the private sector for "best practices." Instead, organizations that *are* grappling with the challenges raised by an aging workforce can learn from each other. This report is designed to serve that purpose. In the future, we expect that employers in other industries will look to the three sectors we have studied—government, healthcare and utilities—for lessons learned.

2. Things could be even worse. As of today, the human capital crisis in government is being tempered by a few countervailing forces.

   Our research identifies a number of factors that may delay or offset the challenges the government sector is facing:

   - The economic downturn has had a positive effect on many aspects of human capital management, according to some jurisdictions we interviewed.
   - Reduced private-sector hiring and the infusion of laid-off employees into the labor market has increased the potential candidate pool for government-sector job openings.
   - Retirement-eligible employees may choose to continue working due to the current economy. For example, their personal savings for retirement (other than those provided as a defined benefit by their employer) may have declined in value or their spouse's retirement savings may have done so.
   - The public sector's relative job security—compared to that of dot-com companies, for example—makes it easier to recruit new employees, especially those disenchanted by the "disappearing" of private-sector companies and jobs.

As one state human resource manager notes, unlike some employers, “We’ll never go out of business.”

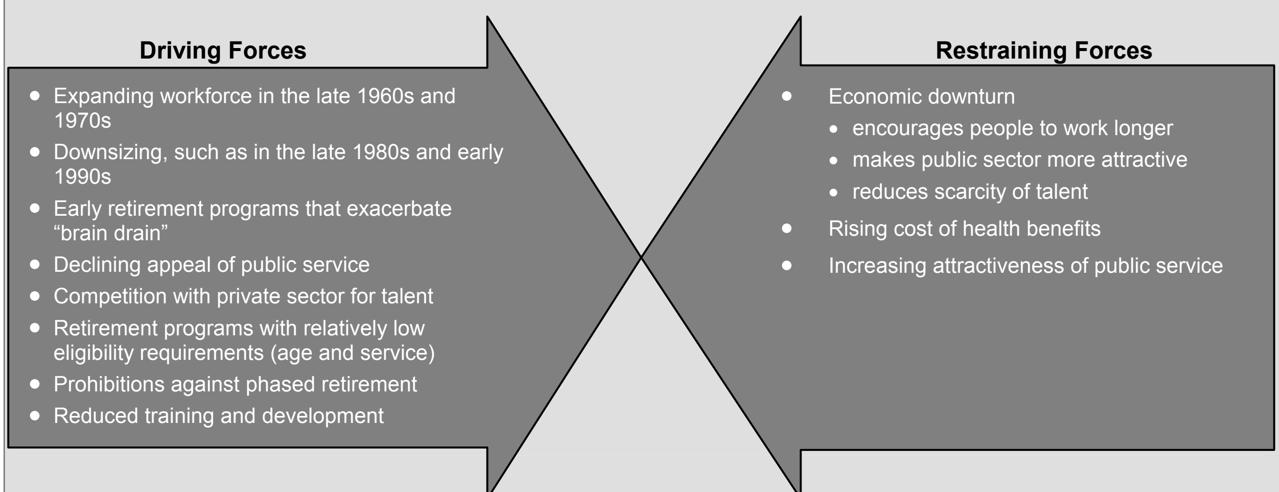
- Rising cost of health benefits At least one jurisdiction noted that some older employees are deferring retirement to forestall having to pay higher health insurance premiums or co-pays.
- Increasing attractiveness of public service. Some jurisdictions felt that the events of September 11th have made public service careers somewhat more attractive.

The following force-field analysis summarizes the factors that contribute to the current challenges facing jurisdictions due to aging workers and retirements.   (These are listed as Driving Forces.)   It also shows the Restraining Forces that offset the drivers. As in any force-field analysis, the outcome of these conditions—here, the severity of the challenges the government sector faces— depends on the relative force of drivers versus restraints.

A favorite tool in the field of organizational development, a force-field analysis is useful not only for understanding root causes. It can also help identify alternatives that could alter the current stasis, for example by adding or escalating driving forces or by reducing or eliminating restraining forces. By altering the current balance between drivers and restraints, it is possible to achieve change.

Thus, jurisdictions can reduce the challenges posed by the aging workforce and retirement wave through actions that decrease the drivers or increase the offsetting restraints.   Some factors, such as the economy, are beyond the organization’s control. Therefore, it is incumbent upon the organization (or upon some smaller or larger entity, such as a department or a coalition of organizations) to identify changes it *can* make to modify the current standoff between driving and restraining forces.

Factors that Contribute to the Government Sector’s Challenges Due to an Aging Workforce and Retirements



3. Greater aging workforce challenges do not necessarily require bigger organizational responses. In fact, identifying the most strategic trouble spots and then *selectively* addressing them appears to be more effective —and more doable—than increasing the scope of the organization's response in proportion to its aging workforce challenges.

   Which jurisdictions face the greatest challenges due to the aging workforce? If you gauge the size of the challenge by the percentage of their workforce that is eligible for retirement now or will be within five years, then the Air Force Materiel Command (40% of civilians), Henrico County, VA (38%) and the General Accounting Office (38%) top the list. (Pennsylvania may join them, if it passes proposed legislation to lower its retirement-eligibility criterion from 35 to 30 years of service.)

   We might have expected that these jurisdictions' responses would be broader and/or more elaborate than in other jurisdictions, in proportion to their aging workforce. But that is not what we found, in most cases. In fact, what is immediately striking about these and other examples listed below is that they have chosen to *narrow* the focus of their response. Rather than assuming all retirements are equally significant, they have analyzed which ones will have the greatest impact or be the most difficult to deal with. Then they have aimed their efforts at those selected cases.

   The profiles contained in this report describe in detail how jurisdictions are seeking targeted responses to their most critical needs, rather than treating all jobs, all skills and competencies, and all knowledge as equally important to the organization's future. Examples include:

   - Pennsylvania's selective approach to closing the workforce supply/demand gap
   - TVA's efforts to identify and preserve critical organizational knowledge
   - GAO's use of early retirement and employee redeployments when they are aligned with organizational needs
   - The Army's expertise in workforce analytics and modeling at both the macro and the micro level

   Jurisdictions benefit from selective approaches in important ways. First, such an approach helps them break down a large and potentially overwhelming problem to more manageable scale. Second, it enables them to deploy limited resources to areas of greatest need.

4. Data rule.

   An organization's first response to the challenges of an aging and soon-to-retire workforce must be to secure accurate data. Jurisdictions that are leveraging such data to maximum advantage do so by constantly updating it. They also keep revising their analyses and statistical models, based on any forecasts that don't pan out, to enhance their validity. As the profiles document, having such information enables an organization to plan effectively and to identify areas that need immediate attention. Sound data can also be used to persuade others, such as senior executives and policy-makers. Numbers can also be a catalyst, moving individual stakeholders from a myopic view of the problem ("Woe is *me*.") to a collaborative plan of action ("Let's do something about it!"), as Washington's profile describes.

At the most fundamental level, collecting and analyzing data (a process that is sometimes referred to as "workforce analytics") for the purpose of workforce planning should include:

- Age distribution of the workforce
- Retirement eligibility projections
- Retirement patterns (Based on previous behavior patterns, how soon do employees retire after reaching eligibility?)
- Other attrition patterns (such as turnover) that affect future workforce supply

It is even more helpful if such information can be analyzed at a more micro level, for example, by geography, job classification or occupational group.

To see exactly how sophisticated workforce analytics can be, read the Army profile. While the size of its workforce and the extent of its personnel records are substantially larger than most organizations', it is useful to see the state of the art of fine-grained analysis. The Army can pinpoint the basic measures (such as those listed above) under specific conditions. For example, it can look at how changes in the economy affect workforce dynamics. In fact, it's because the Army's forecasting model is itself dynamic that it rises above all the others we studied. Rather than using just *any* historical data, it can be very choosy about which past patterns to incorporate into a model, making sure they closely match whatever future scenario it wants to investigate.

In addition to these quantitative data, jurisdictions benefit by tracking another aspect of human capital management: the competencies needed now and in the future. Ideally, the organization has a competency model with some set of agreed upon competencies that cut across job classifications, departments, and even organizational boundaries. Such an approach gives everyone a shared definition of the required competencies, which can be integrated into the organization's performance management system, training and development, and compensation.

In regard to workforce planning, the next step for some jurisdictions we interviewed will be to include competencies in the database. Doing so will enable them to track the current supply and location of those competencies against future needs (i.e., who in our workforce has this competency and where are they currently located?). Such tracking will also drive the training and development agenda.

5. The challenges of an aging-and-retiring workforce are new, but the tactics for dealing with them are familiar and, in many cases, already in place.

   Many of the initiatives that jurisdictions are using to meet the challenges of an aging workforce are not new or surprising. They are familiar tactics, discussed below. (See Item 7.)

What *is* new:

- *The driving force for adopting or intensifying these tactics*, since the American workplace has never before faced the demographic challenges that are beginning to develop in some sectors— such as government, health care, and utilities—and are likely to develop soon in others.
- *The sense of urgency* felt in some jurisdictions where the issues are especially acute.
- *The need to adapt some familiar tactics to a different demographic profile or new employee populations*. For example, some jurisdictions have begun promoting flextime, telework and other work/life initiatives when they recruit younger workers, since such practices are thought to be appealing to Gen X employees. Others we interviewed have investigated which factors would be most persuasive in influencing older workers in certain hard-to-fill occupations, such as nursing and engineering, to defer retirement. Knowing what such workers want enables them to offer incentives targeted to a specific employee population.

6. Workforce planning isn't rocket science. But its execution is what separates best practice from hit-or-miss approaches.

   Part III: Recommendations includes a basic model of the workforce planning process, which has four components: assess future needs; assess future supply, identify the gaps, and develop a plan for closing them in time to meet future needs.

   The fundamental process of workforce planning is relatively consistent across jurisdictions, we found. Our research uncovered no big surprises or "secret ingredients" that one jurisdiction knows that others do not. Where we did find variability was in the execution:

   - Workforce planning is centralized (the federal government) vs. decentralized or a hybrid (Pennsylvania)
   - Workforce planning as an elective process (Phoenix) vs. a mandated one (Henrico County's succession management program)
   - Workforce planning as an occasional or one-time process (a common approach, we found) vs. ongoing and institutionalized one (Minnesota Department of Transportation, Washington) and the frequency with which analyses are updated and refined
   - Workforce planning using a dynamic (Army) vs. static model (the more typical approach)

7. Keep it simple.

   If you want line managers to do regular workforce planning, you've got to make it uncomplicated for them. One way to do that is to integrate it with other processes, such as strategic planning. Another is to make sure the tools are easy to use. The first time around, it's likely to take managers longer than in subsequent iterations. Once workforce planning becomes an ongoing process, it's just a matter of adjusting previous plans, rather than creating completely new ones.

8. To close the gap between future workforce supply and demand, jurisdictions need a coordinated action plan that may include all phases of the employee life cycle.

   It's an easy, but erroneous conclusion: Faced with an aging workforce and an approaching wave of retirements, organizations need to "fix" the two end-points of the employee life cycle. Do something to slow or postpone some of those retirements. And begin recruiting younger replacements.

   While these responses may be appropriate and effective, they are unlikely to be sufficient. Rather, the jurisdictions in our study that have committed themselves fully to addressing the challenges of an aging-and-retiring workforce employ a comprehensive human resource strategy. Such a strategy touches virtually every stage of the employee life cycle:

   - Recruitment and selection
   - Performance management
   - Compensation and benefits
   - Training and development
   - Leadership development (including succession management, coaching and mentoring)
   - Career management
   - Retention
   - Retirement

   There is no single magic bullet that can overcome the government sector's aging-and-retiring workforce challenges. Our research suggests it will require a comprehensive strategy of multiple tactics.

   Interventions that address the challenges of an aging workforce may intersect with a variety of other practices already in place, such as flexible work arrangements, work/life programs, diversity and knowledge management. We take this as good news for organizations. While the aging workforce is a new issue for most employers, it doesn't require a host of new tools or tactics. It *does* require looking at existing practices to see if they need to be tweaked, expanded, or redirected.

9. Writhing on the horns of a dilemma: The trade-off of short-term solutions and long-term needs.

   Many jurisdictions currently feel pulled in two directions: their workforce-planning process shows them there are serious challenges ahead due to an aging workforce and retirements, but their budgets are severely cut. There's pressure to choose a short-term fix, such as early retirements, layoffs, and reduced training. This point is important to acknowledge, since it means that "rational" decisions do not always prevail. In the next section of the report, the study's sponsors, CPS Human Resource Services, further discuss this dilemma.

10. Some structures may need to be changed.

    Faced with unprecedented human capital challenges, jurisdictions may need to initiate structural changes. Some will be within their span of control and others will require negotiation, charter changes, or new legislation.

    Our research identifies structural changes some jurisdictions have made to address these challenges, such as:

    – Changes to the retirement system, such as removing early-retirement incentives or penalties for working past retirement eligibility
    – Changes to enable employees to choose phased retirement
    – Changes to allow the jurisdiction to rehire its own retirees
    – Changes to merit system or civil service rules regarding recruitment, selection, succession management and other processes

11. A difference of opinion: Is it okay to ask employees when they expect they will retire?

    Organizations hold different views regarding the appropriateness of asking employees to inform them, voluntarily, when they anticipate retiring. Most employers we interviewed vehemently opposed such a practice since it could expose them to future age-discrimination charges made by employees who had been turned down for training, a promotion, or other opportunities.

    The Tennessee Valley Authority (TVA) is the single case we identified where an organization *does* ask employees to voluntarily indicate when they expect to retire. The response has been extremely positive: 80% provided the information. Because the TVA explained the rationale—it wants to plan effectively to avoid knowledge gaps when employees retire— many employees reacted with comments such as "It's about time. I wondered when you were going to ask."

    TVA sources suggest that older employees care about the organization's future because have spent their careers with the company. We can speculate that other factors may also contribute to this steward-like concern for the future. For example, it seems likely that a basic sense of trust must be present between employer and employee. Long-term employment in the same organization may also be a factor. In any case, the TVA benefited by asking, since employees' tentative retirement dates proved to be more accurate than the educated guesses the utility made on its own, based on historical data. For that reason alone, employers should reconsider how they might pose a similar question to employees without putting the organization in legal jeopardy.

12. Employees can be allies in preparing the organization to meet future human capital needs.

    The TVA's experience managing "knowledge lost through attrition" points to the opportunity to enlist older employees as allies in addressing future workforce needs. TVA employees who were "at risk" for retirement and working in difficult-to-fill positions were interviewed at length about their knowledge, skills, and experience. This process engaged the incumbents in helping the organization to plan proactively for the future. According to company sources, employees were pleased that, in conducting this exercise, the TVA was explicitly acknowledging the value they brought to their jobs.

13. Forewarned is forearmed. And forearmed is *confident*.

    One of the most striking benefits of thorough, ongoing workforce planning is the measure of confidence it provides—even in jurisdictions whose workforce challenges might well be described as monumental.

    Just as the elaborateness of an organization's responses needn't grow in direct proportion to the size of its aging workforce, bigger aging-workforce challenges don't necessarily lead to more panic and bigger problems. The Army is the ultimate example, since it expects 55,000 retirements over the next five years. Yet because the Army's workforce-analytic capabilities are so advanced, it is perhaps the *least* worried organization of any we interviewed—not just in government, but across the three sectors we've studied.

    But the Army isn't the only example. Pennsylvania and Washington also possess an unflappability that comes from feeling prepared for whatever the future brings.

That is a hopeful note on which to conclude our analysis of what we learned from this research. The sponsors of our government-sector study, CPS Human Resource Services, also find cause for hope in the study's findings. They elaborate on their reasons in the next section.

Take-Aways from the Research A Commentary on the Study's Findings

Pamela Stewart, Co-Executive Director
Ed Cole, Co-Executive Director
Bob LaVigna, Client Services Manager
CPS Human Resource Services

This research on the HR Challenges Raised by the Aging Government Workforce is being released at a momentous time for the public sector:

- Jurisdictions at every level have realized that their workforce is made up of a disproportionate number of older employees compared to younger ones, and that large numbers of workers will soon be retiring, taking with them skills, knowledge and relationships that will be difficult to replace.
- But at the same time, most jurisdictions are also bracing for budget cuts. Many have already experienced them. As a result, government agencies at all levels are being pushed to find short-term solutions—exactly the opposite of what they need to do to address the aging workforce issue.

This *combination* of circumstances poses an immense challenge. How can governments grapple with short-term fiscal constraints while, at the same time, ensuring their organizations are ready to deal with future needs?

The results of this study point to innovative ways that local, state and federal governments are responding to these challenges. It's too early to call the approaches profiled in this report "best practices," since the unique set of demographic challenges they address is still fairly recent. But the tactics these two cities, two counties, one consortium of counties, four states and three federal agencies have implemented in response to those challenges offer important lessons for other jurisdictions.

A Hopeful Message

If there is one key take-away for us, as we study the report, it's that *even in the face of fiscal constraints*, there is much that public sector leaders can do to manage the current human capital challenges while preparing their organization for the coming wave of retirements. That is hopeful news. Rather than postponing action until the budgetary climate improves, jurisdictions can learn from the initiatives described in this report. From them, they can find useful models, tactics and tools, many of which require little to no additional resources.

Through our work with public-sector clients at all levels of government and with other non-profits, we know that there are enormous pressures to trim budgets and reduce headcount by encouraging employees with the longest tenure to retire as quickly as possible. There is also a tendency to think we can't deal right now with issues that may not hit us for two or three more years—such as large waves of retirements. We have to get through *this* fiscal year and the next, and hope that by the time large cohorts of employees reach retirement eligibility, we'll have figured out a way to keep them.

This study offers an alternative to such thinking, since it describes how selected jurisdictions are simultaneously managing *both* short-term budget reductions and long-term workforce planning. Because the profiles range in size from a relatively small organization (the city of Anaheim, California, at 2,100 employees) up to the truly mammoth (the United States Army's 276,000-plus civilian workforce), readers will see innovative solutions executed on various scales.

There is a second reason why this research strikes us as especially timely for public-sector organizations. Current budget cuts and hiring freezes are potentially advantageous for long-term human capital strategy. **Faced with a temporary lull in hiring, jurisdictions may use this opportunity to do a more careful analysis of future needs versus current capabilities than might be possible if they were frantically trying to fill positions.** One of the striking features of many organizations interviewed for this research is that they are not just hiring people who can do what needs to be done today. They are committed to defining what their workforce will need to be able to do *in the future* and then hiring and/or developing employees accordingly. In other words, they are not simply trying to perpetuate their current organization or their current competencies.

ADDITIONAL INSIGHTS

So what, specifically, do we think jurisdictions can learn from this study? Here are what we see as key take-aways:

1. Within the public sector, some jurisdictions have developed and refined their approach to workforce planning to a very high level of sophistication.

   Without a doubt, the Army's analytic tools and forecasting models define the current state-of-the-art. To our knowledge, it is unrivaled in terms of the depth of its personnel database, the sheer size of the employee population it tracks, and the micro-analyses and projections of which it is capable.

   But the Army is not the only jurisdiction that had advanced the state of workforce planning well beyond the most basic approach. Other notable examples include Washington, Pennsylvania, Maine, and Minnesota's Department of Transportation.

   Often, we who practice human resource management in the public sector view ourselves as playing perpetual catch-up with the private sector, forever seeking ways to adapt what we see them doing to our own organizations, in spite of fewer resources, more barriers, and endlessly more regulations.

   That's decidedly *not* the case in regard to workforce planning. Driven by demographic trends that will hit the public sector sooner than most others, jurisdictions like these have taken the fundamentals of workforce planning and moved them several generations ahead. In fact, we suspect that three-to-five years from now, as the aging workforce becomes a more pervasive issue—becoming, if Peter Drucker's words, "the dominant factor in the next society"—corporations will turn to public sector managers for expertise in managing.

   We also expect that major e-HR providers—industry leaders such as PeopleSoft, HRSoft, SAP, and others—will meet the growing demand for new workforce planning products and services by distilling innovations and lessons learned by first-movers from the public-sector, including those profiled in this report.

You will notice that some jurisdictions have made workforce planning an ongoing priority, which means dedicating staff to it and establishing accountability to ensure it does not become a one-time activity.

2. It's not *just* about the numbers, it's about the shape of the workforce.

   While it's critical that government agencies collect and analyze workforce data, another important finding of this study is that the numbers, themselves, are not the point of the exercise, or its most important outcome. The real issue is the "shape" of the workforce: the skills and competencies available, the skill and competencies that will be needed in the future, and the plan for eliminating and gaps.

   Through our work with public sector clients, we've learned that some jurisdictions stop once they've done the number-crunching that tells them what they can expect in regard to headcount. What we see in the examples profiled here is that it's essential to have those numbers, but clearly not enough. The GAO and Pennsylvania, for example, rigorously assess —and, later, systematically revisit— future skills, competency and occupational needs. The TVA has a quantitative rating system to identify at-risk knowledge that needs to be preserved for the future. Phoenix and Anaheim have developed an extensive strategy to develop the next generation of leaders and grow-their-own talent. Minnesota's Department of Transportation and Maine carefully link training and development to their competency model.

3. To meet the challenges of an aging workforce—or, for that matter, any other human resource challenge—an integrated approach to workforce planning is more effective than any one tactic.

   The report profiles several jurisdictions—including the state of Maine, the United States General Accounting Office and the Air Force Materiel Command—that are using multiple approaches to closing the gap between future, workforce supply and demand. They're intervening at many different points in the employee life cycle: recruitment, selection, training and development, retention, performance management, career development, and retirement. But it's not just that they're "doing a lot of things." Those "things" all share a common foundation, such as a competency model and/or a value system (such as the GAO's commitment to performance-based HR decisions), which in turn ensures they're serving a common purpose. The result is a coordinated and comprehensive human capital strategy.

4. The most successful approaches to workforce planning engage managers at all levels of the organization, and are not just driven by HR.

   The study identifies a variety of approaches to engaging line managers in workforce planning. Washington has found that providing big-picture, demographic data establishes a common challenge and mobilizes individual agency heads to look for statewide solutions. The Army has made its workforce analysis and forecasting tools so user-friendly that personnel throughout the world can use them. Pennsylvania leaves workforce planning for specific job classifications to the individual egency that employs those workers. Why? Because the agency knows, far better than the state department of personnel, what skills and compentencies it will need in the future. Only when multiple agencies employ workers in the same job classification does Personnel take the lead in workforce planning. That's because no one agency has enough information or perspective to see across its own organizational boundaries.

5. The public sector has contributed to the problems it now faces by offering employees retirement eligibility much earlier than do private sector employers.

   In the words of Pogo, "We have met the enemy and it is *us*." Today, the retirement of large numbers of older workers is a much more acute problem for the government sector, in comparison to other sector. That's because retirement plans for most jurisdictions allow—and in many cases, *reward*—retirement at a relatively early age, as seen in this research.

   Historically, one of the great attractions of public service was its generous retirement package, including the opportunity to switch to a second career later in life, while collecting retirement benefits from your former employer.

   But today, the relatively young age at which most government workers may retire is becoming increasingly out of step with the rest of American employment practices. Longer life expectancy and healthier aging call into question what had for decades been thought of as the "normal retirement age" of 65 years old. Social Security policy is being gradually adjusted upward to encourage longer work lives. And rising healthcare-benefit costs, the movement from defined benefit to defined contribution retirement plans, and the shrinking value of many people's retirement savings—all of these factors are influencing workers to continue working later in life. In light of these changes, government-sector retirement policies that allow employees to retire at 50, 55, 60, or even 62 are increasingly out of step with other American workplaces.

   While retirement policy is not the focus of this study, it is striking, when reading the profiles that follow, to note that the challenges of an aging workforce are exacerbated by retirement policies that encourage them to leave at a young age with full retirement benefits. Having done so, they may then choose to work for a private-sector employer. In a society where, over the next decade and a half, the workforce will increasingly fall short of overall human capital needs, the public sector needs to reexamine its retirement policies in light of new realities.

6. Government-sector employers are successfully adopting human resource practices from the private sector.

   Traditionally, many public-sector HR professionals felt it was their responsibility to protect their organizations from the potential hazards of private-sector practices. For example, they zealously warned against preselecting succession candidates, since that would violate civil service or merit system principles of fair and open competition. *We can't do that in the public sector*, they argued.

   What we learn from this research is that some jurisdictions have overcome such stumbling blocks and found creative ways to adapt public-sector practices within a merit-system environment. Henrico County, VA and the Minnesota Department of Transportation (MnDOT) are two such examples.

   Adapting succession management to fit in the public sector is another example of HR professionals' shifting role. It's a progression from the HR staff person whom managers see as "always telling me what I *can't* do" to the strategic partner who offers creative solutions that ensure the organization has the human capital needed to meet its business challenges.

7. We need to challenge the assumption that our employees' retirement intentions are a don't-ask-don't-tell issue.

We often hear from HR professionals that they can't ask their employees when they are planning to retire, since doing so could expose the jurisdiction to future age-discrimination lawsuits. Yet CFOR's research has identified one public-sector employer, the TVA, that has rejected that limitation. Rather than relying on statistical models of past retirement patterns to forecast future patterns, the TVA decided to come right out and *ask* employees their plans. The result? More than 80% volunteered that information, which enabled the TVA to do more effective workforce planning for the future.

In CPS's own practice, we have seen other jurisdictions ask similar questions of their older employees. Sacramento (CA) County, for example, sent out an anonymous survey asking employees a series of questions about retirement. Not only did this information allow the City to plan better. It also told the city what it could do to encourage workers to remain on the job longer, or to come back to work for the city after they'd retired. Other jurisdictions we know of have asked similar questions in the context of a management-group meeting.

We see the study's findings as further evidence that public-sector employers—and the HR professionals who guide them in such matters— should reconsider their approach to managing human capital. It may not always be in the organization's best interests to design its practices around the fear that *some* employee might *someday* sue them. Instead, this study suggests, it may be more effective to nurture commitment and trust within the workplace. In the absence of more adversarial relations, employers may legitimately ask about retirement intentions and an employee may comfortably answer. Both acts are the natural expression of their common commitment to the organization's future.

The caveat, of course, is that once the employer has asked employees about their retirement intentions, it is critical *not* to use that information against the employee in any personnel decision such as promotions or training. The report describes the TVA's practices in that regard.

8. Careers in government have much to offer. Jurisdictions must aggressively communicate those benefits to potential applicants and leverage them to retain their best employees.

   The downturn in the US economy has, for the time being, restored to the public sector some competitive advantages in attracting and retaining employees. Many of the organizations profiled in this report have found this to be the case. Unlike some private-sector ventures, government will never go out of business. It also offers greater job security than the once vaunted, and now ridiculed, dot-com world. Many public-sector organizations also demonstrate a respect for employees' life outside of work—a value often missing in the private sector. But the most compelling reason for people to choose a career in public service remains, as it always has been, the opportunity to improve the quality of life for others. It's a more compelling mission than jobs in most other sectors can offer and, in the present climate, that is a value proposition and a competitive advantage that jurisdictions should make the post of.

9. Finally, we are struck by the way the HR leader's role is changing with the growing need for strategic workforce planning.

   The old caricature that the HR person's job is to warn managers about potential hazards and risks is—thankfully—falling away. It is being replaced by a more powerful leadership role helping the organization plan for what it will need to be. In order to play that role effectively, the HR professional needs to be able to analyze and use data. She or he must also be an expert, on a par with the organization's top financial and budget executives, in forecasting and planning. And he or she must be able to do all this in a context rife with challenges: an often-messy political process, a cacophony of social influences, and a wobbly economic climate.

We are proud to have sponsored CFOR's study of the *HR Challenges Raised by the Aging Workforce*, in partnership with IMPA, CSG, and NASPE. This research goes beyond previous reports that present various approaches to workforce planning and provide models and tools. In effect, this report answers the question, "So *then* what?" By investigating the scope of the aging workforce challenges selected jurisdictions face, and then describing exactly how they are dealing with them, this report makes an important contribution to the field of public management. Over the next decade, as the aging government workforce continues to be a major strategic issue, we expect this study will continue to be an important resource for leaders.

Research Findings Part I: How Bad Is It?

This section uses demographic data to assess the scope of the aging workforce and projected retirements, beginning with the US workforce as a whole and then looking at the government sector.

THE AGING US WORKFORCE

America is rapidly approaching a crisis in its workforce, triggered by the convergence of two demographic trends: the growing number of aging Baby Boomers in the population and the much smaller number of younger people who follow behind them. Figure 1 shows the changing age distribution within the US population between 2000 and 2010: the dramatic upswing in the number of persons age 50-69, the shrinking population of 30-44-year olds, and the modest increase in the next cohort of twenty-somethings.

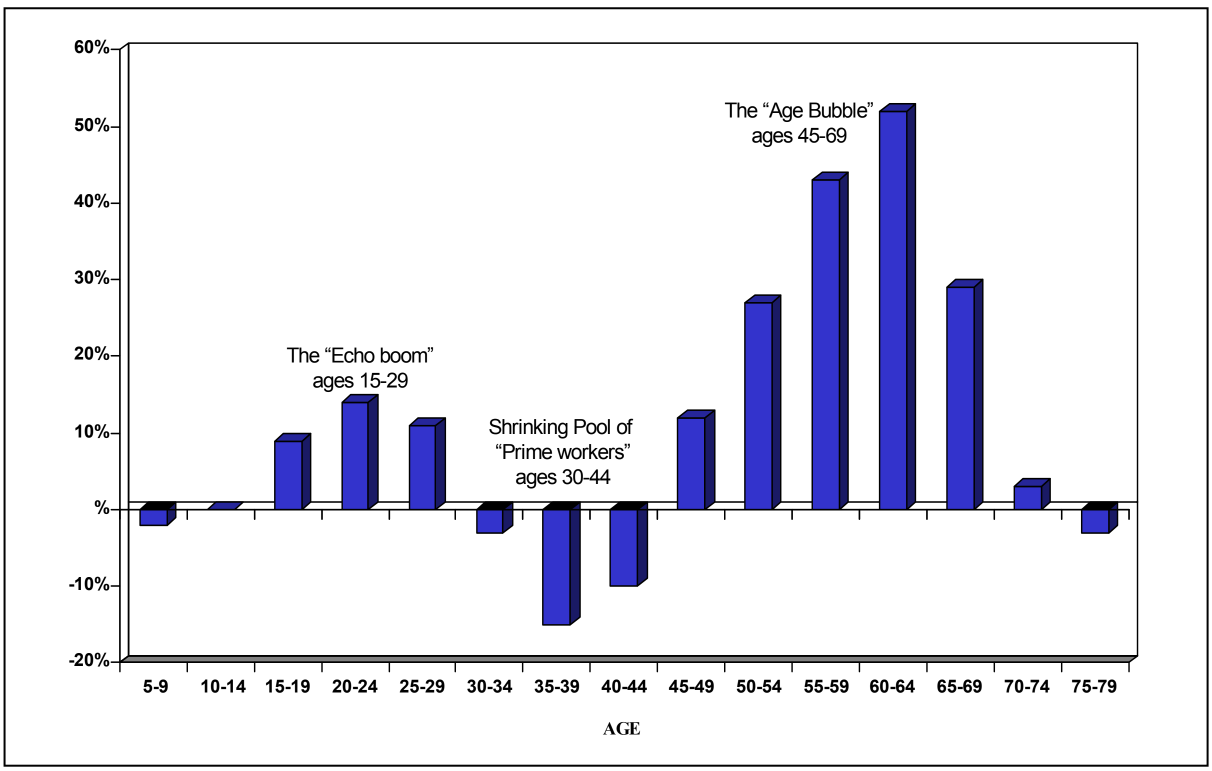


Figure 1: Percentage Change in Population by Age Group, 2000-10 (Estimated)

Source: DRI-WEFA

Impacts on the Workforce

These changes will play out in the workforce. The proportion of older workers (here defined as age 55 and up) is expected to shoot up an average of 4% *per year* between 2000 and 2015, as shown in Figure 2.

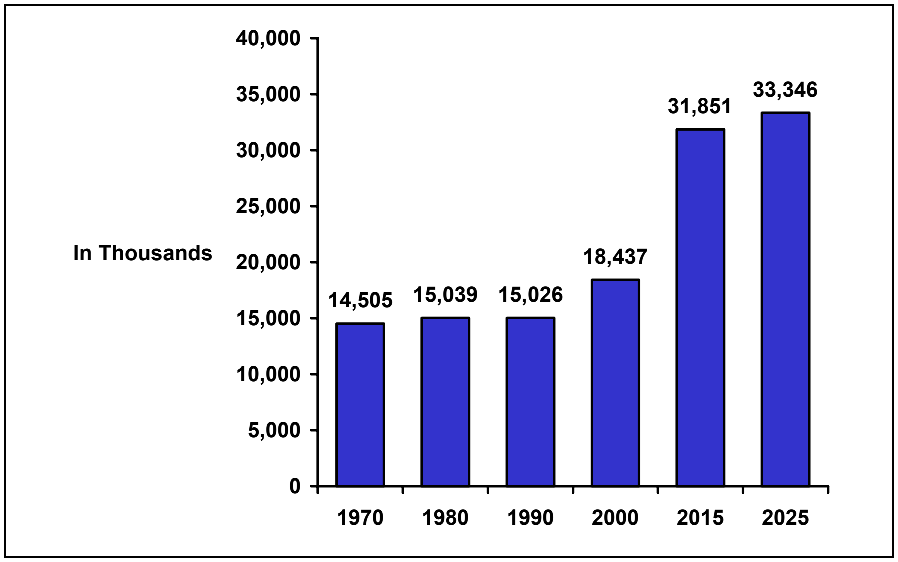


Figure 2: Past and Projected Numbers of Workers Over Age 55, 1970 – 2025

Source: The United States General Accounting Office (GAO), 2001

The rapid increase in workers over age 55 is due to the so-called "Age Bubble." It is also due to a general trend in the US toward greater labor force participation by older persons (GAO, 2001).

What is the Age Bubble?

The Age Bubble is the balloon effect created by the baby boom generation (people born between 1946 and 1964) whenever it does anything *en masse*—whether it's starting school (which led to overcrowded classrooms and double-sessions, followed by a building boom in new schools), becoming teenagers, going to college (another spate of professor-hirings and expanded campuses), becoming parents, turning 50 (The AARP reinvented itself to become more attractive to "young elders"), or retiring (the focus of this report). The sheer number of baby boomers who will become eligible for retirement between now and 2015, coupled with the much smaller pool of younger workers who can take their place, make the Age Bubble a critical human resource challenge for employers.

The growing ranks of older workers is not the only shift that will be taking place in the workforce. The proportion of younger workers is also shrinking. According to the Bureau of Labor Statistics (BLS), workers age 25-44 will decline by 3 million, dropping from 51% of the labor force in 1998 to 44% in 2008, while, over the same period, workers age 45+ will increase from 33% to 40% of the workforce, an additional 17 million workers (Dohm, 2000).

What These Changes Mean for Employers

The graying of the US workforce is not just a cosmetic change. In some sectors of the economy, it will bring a serious shortage of workers. According to a recent report from the Employment Policy Foundation, more than 61 million Americans will retire during the next 30 years. Within five years, the US workforce will begin to dwindle.

How severe could the impact be? If the present trend continues, the Foundation projects, the US will face a labor shortage of 4.8 million workers in 10 years, 19.7 million in 20 years and 35.8 million in 30 years. College-educated, highly skilled workers will be in particularly short supply. Unless these shortages can be averted, the country's gross domestic product, the output of goods and services produced by labor and property located in the United States, could drop 3% in 10 years and 17% or more in 30 years. For workers, that would translate into a significant drop in average per capita income (Employment Policy Foundation, 2001).

Which Sectors Will Be Most Affected?

Not all industries will be affected equally by these changes. Some will take an especially hard hit, while others may experience a smaller, or delayed, impact.

BLS projects that five industries will be most affected by retirements in multiple occupations (Dohm, 2000):

- Manufacturing
- Public administration
- Educational services
- Transportation
- Health services (especially hospitals)

Why these five sectors? Briefly, there are three main reasons:

Historical employment patterns, such as periods of workforce expansion and contraction that have resulted in a disproportionate age distribution, with more older workers than younger ones

Structural factors, such as retirement policies that allow and encourage retirement at an early age

Occupational patterns, such as a concentration of workers in specific occupations that have an above-average concentration of older workers and below-average proportion of younger ones

For a detailed discussion of factors affecting which industries are already experiencing the "age bubble," see the report's final section. *Holding On: How the Mass Exodus of Retiring Baby Boomers Could Deplete the Workforce, What Some Employers Are Doing to Stem the Tide* is a white paper that elaborates on those factors and provides bibliographic information on the sources cited above.

THE AGING GOVERNMENT WORKFORCE

Now we turn to the aging-and-retirement issue within government, answering our first research question: How bad is it?

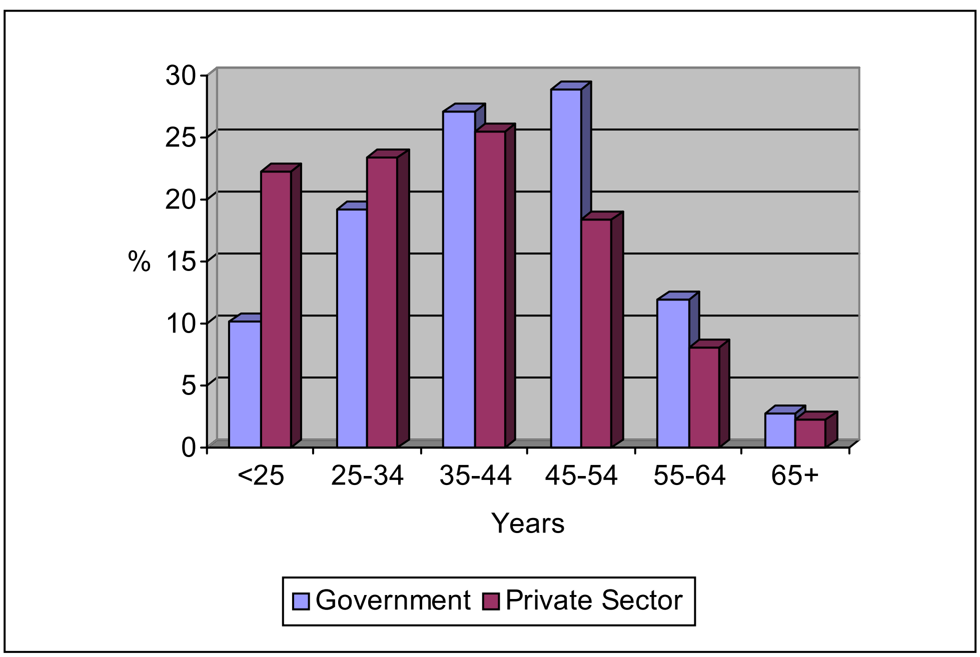
We begin by reviewing workforce analyses from various sources: the United States Office of Personnel Management, the Rockefeller Institute of Government, and a recent survey conducted by the Council of State Governments and the National Association of State Personnel Executives. First we review data regarding the aging workforce. Then we present recent retirement projections. Finally, we reflect on those analyses based on the interviews conducted as part of this study. What additional insights or perspective have we developed that may help jurisdictions interpret these workforce data?

Recent Analyses of the Aging Government Workforce

How bad is it? Looking at the workforce across all levels of government as of 2001:

- 46.3% of government workers are age 45 or older. This figure is particularly striking in contrast to the private sector, where just 31.2% are 45 years and older.
- The percentage of older (in this instance, defined as age 45+) workers in the government workforce increased by 7.3% between 1994 (39%) and 2001 (46.3%). The private sector saw an increase of 5% (from 26.2% to 31.2%) for the same period. Thus, the differential between these sectors—which was already significant— continues to grow.
- Equally vexing is the proportion of younger workers (under 35 years). In the government workforce, it's 27.3%, compared to 43.2% of the private sector workforce.

Source for the above data as well as the following chart: Craig W. Abbey and Donald J. Boyd, *The Aging Government Workforce,* Nelson A. Rockefeller Institute of Government, July 2002

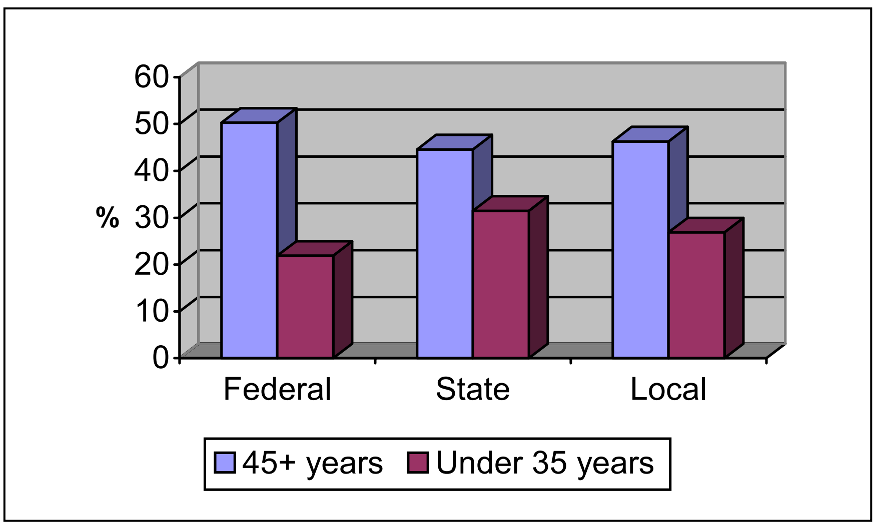


Age Distribution of Government and Private Sector Workers, 2001

It's the combination of a growing segment of older workers and a dwindling cohort of younger ones that is particularly troublesome to future government staffing. That's why many of the jurisdictions featured in Part II of the Research Findings are addressing these challenges on multiple fronts, rather than just one. It's not enough to do more recruiting. It's also important to analyze which retirements will be most difficult to respond to; to identify which skills and competencies will be needed in the future; to facilitate knowledge transfer from older workers to younger ones (for example, through a knowledge management system, coaching, mentoring, training, job rotation, or other measures); to develop leadership skills and create a succession pool; and even to persuade selected employees to delay their retirement or make it feasible for them to return to work after they retire.

The disproportionate number of older workers (age 45 and over) versus younger ones (under age 35) differs somewhat by level of government, as shown below.

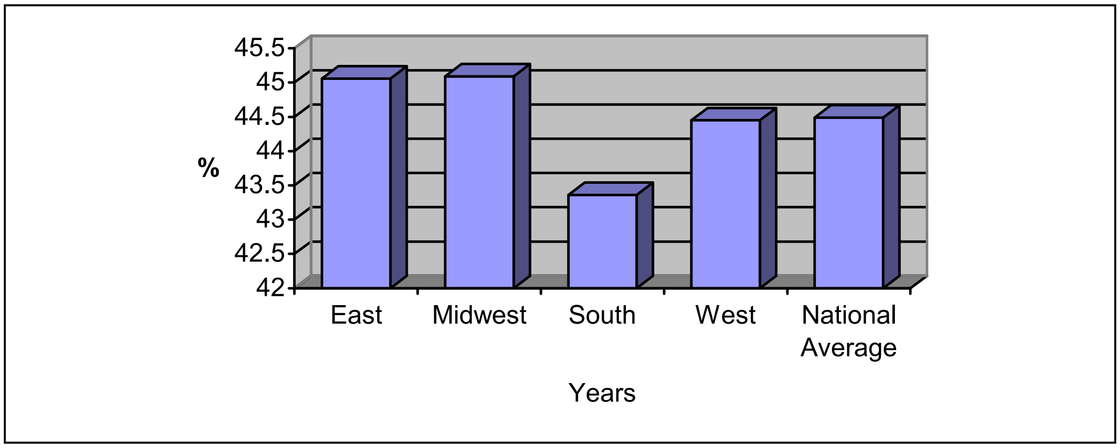
- The age differential is most acute at the federal level, which also has the highest percentage of older workers and the smallest percentage of younger ones.
- The age differential is smallest in state government. However, the percentage of older workers is still higher (44.6%) there than in the private sector (31.2%). And younger state workers (31.5%) are still a smaller segment than in the public sector (27.3%).



Younger and Older Workers by Level of Government

Source: Craig W. Abbey and Donald J. Boyd, *The Aging Government Workforce,* Nelson A. Rockefeller Institute of Government, July 2002

Additional data on the state-level government workforce come from a national survey on the state employee worker shortage, jointly sponsored by the Council of State Governments (CSG) and the National Association of State Personnel Executives (NASPE) (shown below). The average age of the state workforce varies by region, the survey found, with a substantially higher average age in the East (45.06 years) and Midwest (45.09 years) than in the South (43.36 years).



Average Age of State Employees by Region

By state, the oldest state workforces are in Ohio and Rhode Island (48 years), Idaho and Washington (47 years), and Iowa, Minnesota, and Pennsylvania (46 years). The youngest are in Utah, Missouri, Mississippi and New Mexico (42 years).

Retirement Projections for the Government Workforce

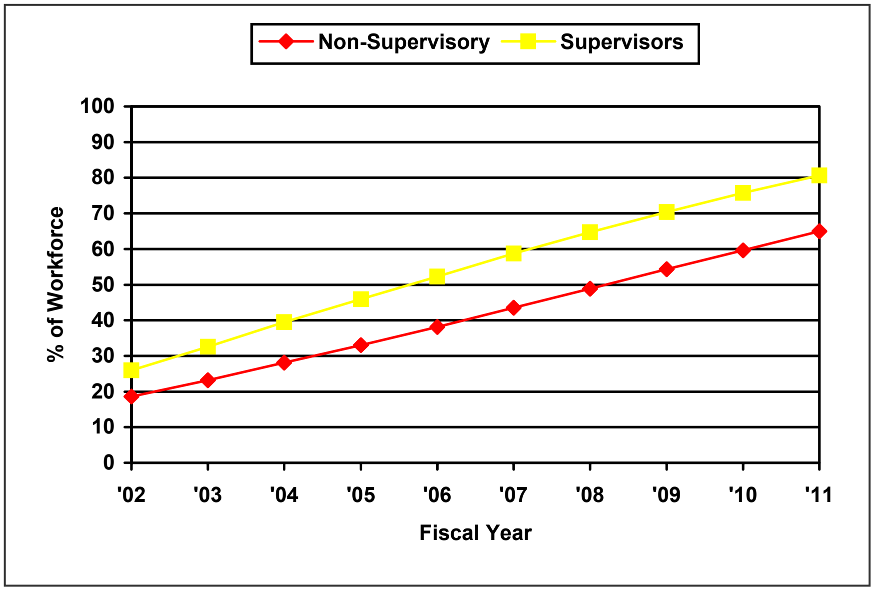
Federal Government

In January 2001, the General Accounting Office decreed a "human capital crisis" in federal government, in part due to the age and approaching retirement of so many workers. That same year, the Office of Management and Budget (OMB) directed major federal agencies to conduct a detailed workforce analysis as part of the annual budget process. The analysis tracks employees' age, grade and retirement eligibility. It forecasts retirements and attrition for the next five years. And it captures data on numbers of employees by occupation and additional data on managers.

Based on this information, the Office of Personnel Management (OPM) produces two kinds of retirement projections:

- The number and percentage of the federal workforce who will become eligible for retirement in a given fiscal year
- The number and percentage of the federal workforce who will *actually retire* in a given fiscal year

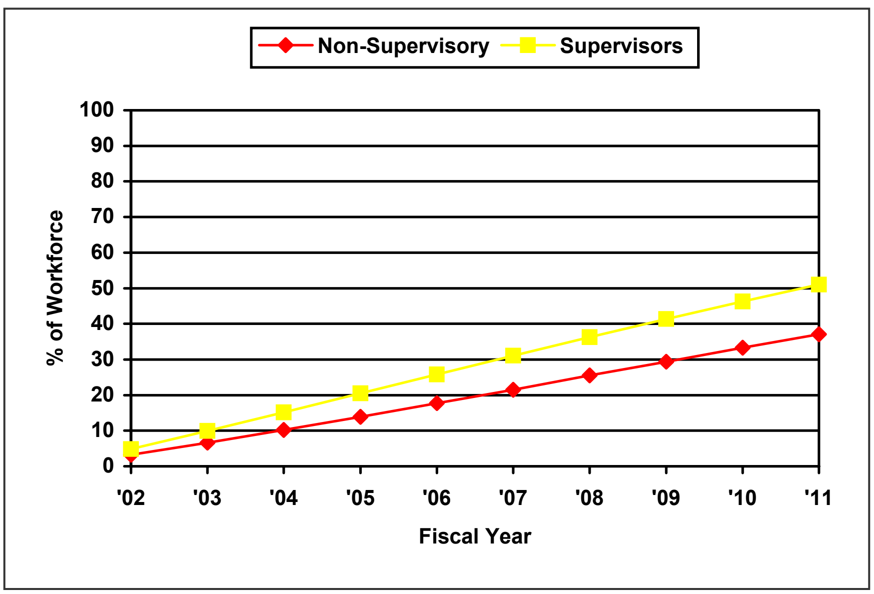
The figure below shows retirement-eligibility projections for full-time, permanent supervisors and non-supervisory employees who began employment before October 1, 2001.



Federal Employee Retirement Eligibility: Full-time, Permanent Employees, FY2002 – 2011

Clearly, the federal government workforce could be entering a period of unparalleled turnover. Almost one-third of all supervisory staff will be eligible to retire before the end of FY03. Three-quarters will be eligible within the next seven years, as will nearly 60% of non-supervisory employees.

But when will they *actually* retire? That's something OPM can project with far less confidence. The next chart shows some cautious projections. It's is followed by important caveats regarding the forecast's limitations.



Federal Employee Retirement Projections: Full-time, Permanent Employees, FY2002 – 2011

These projections suggest that significantly fewer federal employees will retire each year than are eligible to do so. That would be good news, generally speaking, since it would give agencies more time to prepare for the large number of retirements that eventually *must* occur.

But OPM, itself, is quick to point out the limitations of these retirement projections. Here are some of the problems:

- The projections are based on government-wide retirement patterns, which may or may not hold true for specific agencies. Chances are that NASA's scientific and technical workforce, for example, has different retirement patterns than, say, the clerical workforce who work for the Social Security Administration. But OPM projections can't break out the data for a specific agency or occupation (although they can segment the analysis by length of service, gender, retirement system and PATCO category, i.e., Professional, Administrative, Technical, Clerical, Other). Thus, the projections are based on a different population than the one they are forecasting for.
- A second major limitation is the assumption underlying OPM's projections: that the past is a good predictor of the future. There are any number of reasons why that might not be so. For example, projections for FY02-06 are based on data from F99-01— a period when the economy was very different than the current one. Employees today are likely to behave more conservatively than in the past, when the stock market was flying high and individual savings were growing handsomely each year. And then there are organizational developments that may influence retirement decisions. The merging of 22 agencies to create a new Department of Homeland Security is one example. Who knows how that will affect the age when employees take retirement? Will some leave sooner because they don't want to be part of the new organization? Will others stick around longer, to help smooth the transition, perhaps, or simply out of curiosity to see how things work out?

Mandating that agencies do workforce analysis and planning is a beginning, but the federal government has a long way to go to improve its workforce forecasting capability. (By contrast, the Army profile presented in later the report describes the state-of-the-art in retirement forecasting, which includes micro-analyses for extremely specific employee groups and attributes.)

OMB-mandated workforce planning is another, still relatively crude process. It's impossible for OPM to project future workforce needs, government-wide, without knowing how each agency's mission may change in the future, and with it, the skills and competencies it will need. That's information the agencies have, but not OPM. Moreover, there is no common set of competencies that federal agencies have agreed on, or even common definitions of what such competencies entail. Nor is there any federal system to track who has them. Thus, while the federal government has made a commitment to address the challenges of an aging workforce, it has a long way to go simply to grasp the scope of the problem, let alone to implement an effective macro-level response.

But that's just today. Innovative approaches, such as those described in the profiles of the United State Army, the Air Force Materiel Command, and the Government Accounting Office, provide useful models for what individual agencies can do. At a more global level, the Army's workforce forecasting tool is now being evaluated for possible adoption throughout the federal government. OMB and OPM have developed a scorecard to rate agencies' effectiveness in strategically managing human capital. And the recently passed Homeland Security bill mandates that agencies appoint a chief human capital officer to oversee workforce planning. According to *Government Executive* magazine, "human resources executives at federal agencies have begun an unprecedented effort to analyze employment statistics, forecast attrition rates, and identify gaps in skills and recruitment needs to better match their workforces with their agencies' missions."

(Friel, Brian, "Reality Check," May 15, 2002. Available at http://www.ovexec.com/features/fpp/fpp02/s3.htm, this article offers an excellent overview of these measures, with links to related articles.)

Clearly, there's momentum building to upgrade the federal government's ability to do pan-government workforce analysis and planning. At present, however, it's at the agency-level where we found the leading-edge— a small number of organizations with a better-than-average grip on the issues who are preparing for the extraordinary employee exodus that lies ahead.

State government

How do retirement projections for state workers compare to those for federal employees? CSG and NASPE's 2002 survey found the following:

- Within the next five years, a growing percentage of state employees will become eligible for retirement. Topping the list with the highest projections of retirement-eligible employees are California (49%), Virginia (45%), Oklahoma (33%), and New Jersey (32%). The states with the smallest percentage of retirement-eligible workers in the next five years are Utah (7.5%), Oregon (9%), and South Dakota (9.6%).
- Exacerbating the approaching retirement wave is the fact that many states are also faced with shrinking budgets. Some 27 states reported they have imposed hiring limitations or an outright freeze. More than half the states have a vacancy rate above the national average of 11% for state government positions. Deferred hiring is likely to hamper states' ability to prepare for coming retirements by building up the talent pipeline.

(Source: Carroll, James B. and Moss, David A., "State Government Worker Shortage: The Impending Crisis," *Trends Alert*, Council of State Governments, September 2002.)

Local Government

To our knowledge, there is no comprehensive data on retirement eligibility among local-government employees. However, the National Association of Counties (NACo) is planning to do an in-depth study in 2003 of the aging county workforce and the impacts of an aging population on county government's service delivery, including healthcare.

So How Bad Is *It?*

What conclusions can we draw from these data? We offer four, based on the preceding data and on our interviews with jurisdictions, public-sector human resource associations, and others familiar with the current state of workforce planning in the government sector:

1. **The aging workforce** At all levels, the government–sector workforce is older than its private-sector counterpart. It also has proportionately fewer young workers, a fact that increases the seriousness of the workforce challenges ahead. No one we interviewed dismissed the aging government workforce as an issue whose importance has been exaggerated. Many regretted the short-sighted human resource policies of the past that, in effect, created the problem. Such policies or programs include early retirement incentives, reductions in force, fewer opportunities for training and development, and other human resource practices that made government employment less desirable than private-sector jobs.

2. **Retirement eligibility** A significant percentage of employees at all levels of government is approaching retirement eligibility.

3. **Retirement forecasts** It is difficult to forecast with confidence exactly when these employees will retire.

   - In part, that's because so many factors can influence retirement decisions. For example:

     Environmental factors (the economy, changes in the political leadership, momentous and unforeseen events such as September 11th)

     Organizational factors (changes in the jurisdiction's retirement policies, such as lowering the retirement age, offering early retirement incentives, permitting phased retirement; changes in the jurisdiction's mission, structure, or needed competencies and skills)

     Occupational factors (For example, employees may choose to retire sooner in occupations such as nursing, where there are ample opportunities for post-retirement employment in the private sector. Those in physically demanding jobs may retire sooner than those whose work is sedentary.)

     Personal factors (A multitude of person-specific factors may influence retirement decisions. These are difficult for the organization to predict—or even know about—and also difficult for it to control. For example, one federal workforce analyst we interviewed remarked that the best predictors of when an employee will retire are two factors: the spouse's retirement plan and how may kids they have in college.)

   - A second factor affecting the accuracy of retirement forecasts is the **quality of data available and the analysts' tools and skills**. We found great variability in all of these. Some jurisdictions don't seem to systematically monitor employees' age and retirement eligibility. Others may have done so in the past, but it is not an ongoing practice. In some cases, their retirement projections hadn't been revised for a year or more— a sure sign that workforce planning is an on-again off-gain pursuit.

   The explosion of strategic human capital scorecards, workforce planning mandates, and human capital accountabilities is evidence that the federal government is taking its officially decreed "human capital crisis" seriously. However, while we found pockets of expertise and innovation, we must conclude that, at this moment, workforce analytics and forecasting are still at a fairly rudimentary stage at the pan-federal-government level.

   At the state and local level, selected jurisdictions have developed enough sophistication to do very credible forecasts specific to departments, occupations, and locales.

4. **It's not just numbers** To answer our first research question in regard to the aging government workforce and the coming wave of retirements—i.e., "How bad is it?"— it's necessary to consider *both* the workforce statistics and what the jurisdiction is, or isn't , doing about them. For a jurisdiction with a very large number of projected retirements and a well developed workforce-planning process, the problem may be less serious or threatening than for a jurisdiction where the numbers are less daunting but there's no coordinated workforce-planning effort.

   An example may help clarify this point. According to the Rockefeller Institute's analysis, the state-government workforce is younger than the federal one. That would seem to suggest that the retirement wave will probably hit state government later, making it a less immediate threat.

   But it would be a mistake to draw such a conclusion, for two reasons. The first is that retirement-eligibility criteria vary significantly from state to state, so the relationship between age and retirement is inconsistent. Some states are offering early-retirement incentives. At least one other (Pennsylvania) is considering lowering the years-of-service criterion from 35 to 30 years. So age, itself, is not a perfect predictor of the timing and scope of the retirement wave affecting state government.

The second reason is that, unlike the federal government, which has made human capital management a strategic priority, there is no comparable commitment across the state government. Instead, we found many states that have done some sort of workforce planning exercise but a smaller number in which workforce planning is a regular, ongoing process. A few states simply skipped the demographic questions on the CSG/NASPE survey—that is, the average age of your employees and the percentage that will become eligible for retirement within the next five years.

Thus, in answer to our question regarding the scope of the human resource challenges posed by the aging government workforce, we arrive at a more complicated answer than we initially sought. The data presented here allow us to provide a quantitative answer, while acknowledging that the numbers for some jurisdictions are probably not reliable. But to that answer we must add another: that the scope or seriousness of these challenges also depends on how effectively the jurisdiction is responding to them. In other words, workforce statistics, alone, do not answer the question fully.

Our second research question—What are jurisdictions doing to address the human resource challenges posed by an aging workforce?— is one we answer descriptively in Research Findings Part II. There, we present detailed profiles of twelve jurisdictions chosen because they are making significant effort to address those challenges. Each profile provides the age distribution and retirement projections for the jurisdiction's workforce; innovative practices that address the challenges of an aging workforce; and tools, frameworks and lessons learned that the jurisdiction has allowed us to include in our report.

Research Findings Part II: Innovative Solutions

This section presents profiles of twelve jurisdictions selected using the following criteria:

- The jurisdiction was recommended by one or more of our association partners (IMPA, CSG, NASPE), our sponsor (CPS Human Resource Services), or by other jurisdictions or subject-matter experts as actively addressing the challenges of an aging workforce.
- In the preliminary phase of the study, we determined that the jurisdiction's approach to meeting the challenges of an aging workforce went beyond the basics—for example, completing a workforce planning exercise—and would contribute innovative solutions and fresh insights to the report.
- The jurisdiction is continuing to address the aging workforce issue, despite budget cuts, a hiring freeze, or other setbacks.
- The jurisdiction contributes to our overall balance of local, state, and federal government examples.

The twelve jurisdictions are presented in ascending order, based on the size of their workforce. We chose this order so that readers whose organizations are comparatively small or have relatively limited resources would not be put-off by the large-scale initiatives (such as the Air Force Materiel Command's) and the advanced expertise (such as the Army's approach to workforce analytics and planning) of much bigger jurisdictions.

That is not to say that readers should read only the profiles of jurisdictions whose size is comparable to their own. In fact, there are interesting tactics and useful lessons in every profile. The first, for example, describes a collaborative initiative that enabled 30 small counties in California to overcome recruitment and staffing problems that none of them had been able to solve on their own. Such collaboration could work for *any* organization, provided it can identify potential allies that face similar problems and have a similar needs and similarly limited resources. In other industries that are grappling with an aging workforce—healthcare and energy—we have seen collaborative approaches involving organizations of all sizes, bound together by a common challenge: recruiting, hiring, and retaining staff in hard-to-fill positions. Thus the California social workers profile is not just relevant to other small jurisdictions.

Similarly, the largest jurisdictions in our study—the Air Force Materiel Command (65,000 civilians), Pennsylvania (80,000 employees), and the Army (276,493 civilians)— provide models that would, in some circles, be called "aspirational." That is, the scope of their aging and retirement challenges may dwarf many other jurisdictions'. And the analytic tools and forecasting models they have developed may be light years beyond what most jurisdictions use. But their experience and insights are universally relevant. Here are workforce analysts and planners who are *passionate* about what they're doing and why they do it. The compound challenges of retirements, recruitment, hiring freezes, budget cuts, legislative policy changes, restructuring, and changing missions and skill-sets seem—for them—to be a kind of high-intensity, hard-ball game that leaves them breathless but triumphant. We find their experiences unexpectedly energizing.

Here, then, are the twelve profiles. They are followed in Part III with practical frameworks and tools for addressing the challenges described in this report.

JURISDICTIONS PROFILED IN THE REPORT

Jurisdiction	Size of Workforce	Retirement Eligibility Projections	Innovative Efforts & Promising Practices
Social services departments of 30 CA counties	964 social workers	Not available	30 small counties collaborated to get additional state funds to staff difficult-to-fill social work jobs by using • Expanded recruitment • Online application process • Job analysis to explore new staffing options
Anaheim, CA	2,101	54% managers currently; 64% by 2004	Extensive "Build the Bench" program develops leaders through on- and off-site programs
United States General Accounting Office (GAO)	3,200	38% by 2005	Using flexibilities available to all federal agencies and others granted to GAO, the agency is reshaping its workforce to meet future priorities. Multiple initiatives related to: • Recruitment • Retention • Realignment
Henrico County, VA	3,583	38% by 2005	To build the management pipeline and avoid brain drain: • Gives managers tools to develop all subordinates • Holds managers accountable for doing so
Minnesota Department of Transportation	5,315	55% managers by 2007	• Succession Planning involving all classified managers • Strategic Staffing (workforce planning) focuses on specific skills and capabilities, an approach that facilitates flexible staffing within existing ranks
Maine	12,300	32% by 2007; 50% managers by 2007	• Revised law to permit rehiring state retirees • Created Maine Management Service to develop agency leaders, improve selection and succession planning, and reform the civil service system
Tennessee Valley Authority (TVA)	13,000	33% by 2007	To prevent massive brain drain: • Asks employees to volunteer estimated date they expect to retire • Identifies jobs at high-risk for knowledge loss through attrition and takes steps to reduce such loss

Jurisdiction	Size of Workforce	Retirement Eligibility Projections	Innovative Efforts & Promising Practices
Phoenix, AZ	14,800	24% of workforce, including 56% of managers, by 2007	• Workforce Planning Strategy • Grow-your-own approach to staffing • Insightful analysis of obstacles and detailed action plan for overcoming them
Washington	44,000	23% by 2007	• Waged a coordinated campaign to educate agencies re the aging workforce challenge and build their commitment to "aggressive" and continuous workforce planning • Revised state law to allow retirees to return to work for the state • Automated the application process for many key jobs to accelerate time-to-hire • Has begun redesigning personnel system including reforming civil service, authorizing unions to negotiate compensation and benefits, and allowing agencies to contract out
United States Air Force Materiel Command	65,000 civilians	40% eligible for full retirement FY02-07; 55% managers	• Massive scope of aging workforce & retirement issues • Rapid development "Work Force (sic) Shaping" campaign • To execute this plan requires funding, authority and policy changes at multiple levels of government
Pennsylvania	80,000	17% now; future eligibility depends on outcome of new legislation	*Selectively* focuses on critical areas: • Evaluates age and retirement by occupation • Uses occupation-specific "retirement probability factor" to project retirements • Focuses on hard-to-fill or hard-to-train-for positions • Conducts workforce planning at most appropriate level • Tailors recruitment and retention efforts to specific occupations
United States Army	276,493 civilians	55,000 (20%) FY01-07	• To replace retirees and other departures, will make 25,5000 new appointments/year FY01-FY07 • Dynamic (vs. static) workforce planning model builds micro- and macro-level scenarios assuming constant or changing environment • Tools can be used by managers at all levels • Just-in-time "inventory-based recruiting"

30 California Counties

NUMBER OF EMPLOYEES: 964 social workers working in 30 counties

AGE DISTRIBUTION OF WORKFORCE

Demographic data have not been compiled for the separate counties.

INNOVATIVE EFFORTS/PROMISING PRACTICES

Faced with a common problem—how to attract and retain social workers for their respective departments of social services—30 California counties acted in concert to find solutions. Individually, these small counties didn't have the resources to compete for talent. But together, they applied for additional funds from the California State Personnel Board and the State Department of Social Services to bolster their recruitment and retention efforts. These shared resources enabled them to:

- Expand their recruitment outreach
- Create an online application process to benefit applicants and department managers
- Analyze social work job classifications to explore new approaches to staffing

ELIGIBILITY CRITERIA FOR RETIREMENT

Most of the 30 counties participate in the California Public Employees Retirement System, a defined benefit plan under which employees become eligible for retirement based on age and years of service. For some employees this could be as early as 55 years of age, determined by the county, occupational category, and years of service.

Employees may also choose early retirement with reduced benefits.

FACTORS THAT CONTRIBUTE TO THE COUNTIES' STAFFING CHALLENGES

"There's nothing glamorous" about being a county social worker, says Charlene Harris, a consultant with CPS Human Resource Services. Yet counties rely on social workers to do the gritty work of delivering services to those who need them: children, elders, women, the disabled, mental health and substance abuse clients, and abuse victims of all ages.

For 30 California counties—the majority of them small and rural—finding enough social workers to staff their social service departments is a major challenge. In fact, when they advertise vacancies, some counties may receive only one or two applications.

The aging workforce is not the primary factor that contributes to this problem. It's just one of many. Other reasons why small counties have difficulty filling these positions include:

- Social workers earn lower pay than many other professions
- Small counties offer less attractive perks (such as educational benefits) than larger local and state governments or private employers that employ social workers
- Declining student enrollment in social-work education programs
- High turnover due to burnout or the attractions of going into private social work practice
- Budget cuts that have reduced staff and increased workloads
- Negative portrayal of social workers in the news and entertainment media
- Declining interest in public sector careers overall
- The sometimes contentious nature of child protective case work (for example, in relation to the courts)

Finally, the social work profession has yet to receive the kinds of extra support some other fields have received. While the state of California has funded full-scale campaigns to encourage people to become nurses and teachers—two occupations in which the aging workforce is a major factor affecting the workforce supply—thus far, it hasn't done the same for social workers.

How severe is California's shortage of social workers?

- The statewide mental health system reports a 22% vacancy rate for clinicians with a LCSW (Licensed Clinical Social Worker) or MSW (Masters of Social Work) degree. Only by hiring *every person who graduates in California with a social work degree over the next three years* could mental health fill its vacancies.
- The largest county welfare agencies report a 10.5% vacancy rate. Because the annual budget allocation for such agencies is inadequate, counties often fund additional positions through their general fund. The 10 largest counties need approximately 50% (or about 3,400) more social workers than they now have.
- Among the 10 smallest county child welfare agencies, turnover is as high as 50%.
- Agencies that deal with elders have vacancy rates of 20-30%. Yet the aging population is growing rapidly and social workers often serve as the linchpin that coordinates fragmented services for this population.

Faced with a statewide crisis in the supply of social workers, how could California's 30 smallest counties ever compete with other agencies to recruit and retain social workers?

CROSS-COUNTY COLLABORATION

CPS Human Resources[1] is a "joint powers authority" that provides human resource services to states, cities, counties and special districts in California and elsewhere in the US. Under a contract with the California State Personnel Board to provide a merit personnel system, CPS delivers day-to-day human resource management services to 30 counties in California.

Thus it was that county representatives, as members of the California County Welfare Directors Association, approached CPS for help in developing more innovative approaches to recruiting and retaining social workers. CPS submitted a proposal to the State Personnel Board and California State Department of Social Services. In brief, they established that current practices simply weren't delivering an adequate applicant pool. To fill new vacancies, these counties needed more recruiting firepower. And by sharing some common resources, they could all benefit.

The proposal was accepted and the State approved additional funding: $413,000 for the first year and $269,000 for the second year and thereafter. To put those figures into perspective, consider that the annual recruitment budget for *all* social service classifications –not just social workers, but all the other positions as well—was just $60,000 for the 30 counties.

Here's how that additional funding has been put to use:

1. CPS hired a Senior Personnel Management Consultant for recruitment/outreach. Because the new recruitment consultant had been a social worker and a social work supervisor, she had extra credibility when she talked about county jobs. "She could call up candidates and get them interested," says Susan Helland, client services manager of Local Government Services for CPS.

   After meeting with each county to understand its staffing needs, she developed a plan for improving recruitment, selection, career development and retention, including:

   - Attending job fairs and visiting colleges and universities
   - Personally recruiting potential candidates
   - Using other means to do outreach out-of-state, since travel there is restricted

2. CPS conducted focus groups and written surveys with current county social workers to analyze the competencies needed to perform various jobs. The final analysis, which identifies critical knowledge, skills, and abilities for each of four classes of social workers and for supervisors, will be used to review selection criteria, training, and performance appraisal systems. It may also help the counties find different ways to staff hard-to-fill positions.

[1] CPS Human Resources is the sponsor of the Center for Organizational Research's government-sector study of the HR challenges posed by the aging workforce.

3. The counties tapped into outside public relations expertise to develop high quality recruitment material including:

   - Brochures and posters
   - Advertisements to run in social work trade publications
   - An advertisement to run as a trailer in movie theatres and, in one county, above the lanes at the local bowling alley.

4. CPS developed an online application process that makes it easier for candidates to apply. The new system more quickly provides counties with qualified applicants' names, expediting the selection process.

5. CPS engaged a consultant to develop a website highlighting all aspects of social worker jobs, career development, and job opportunities, with future links to the counties, state employment offices, and college programs.

Collaborative recruiting raises an obvious red flag: Don't counties who recruit together wind up competing for the same candidates? That happens anyway, says Helland. "These counties have gotten beyond that. If an employee wants to move to another county, they know they can't prevent it." So instead of worrying about who gets which piece of the pie, they've banded together to make the pie a lot bigger. "More is better," she says. "If we all have more candidates to choose from, then we all benefit."

While the project is only in its second year, results are already encouraging.

- According to California Merit System regulations, jurisdictions must administer an oral exam if they receive five or more applications for a job posting. Many of the counties had never *ever* had any need for such an exam for social work positions. Now they do in some cases.
- Tiny Colusa County had been recruiting unsuccessfully for a program manager in its Department of Health and Human Services. Once the new, online job-posting and application system went live, they started pulling in applicants from afar. Their top choice was a candidate from Alaska. She got the job. Says Harris, "They're happy as pie."
- Up in rural Siskiyou County, near the Oregon border, the Human Services Department used the new radio ads, brochures, and other promotional materials to recruit for a variety of social worker positions. The result: eleven Masters-level candidates applied, more than they'd had in the past five years. "That's unheard of for that county," says Harris.

The approach these counties have taken, in tandem with CPS, illustrates two intervention levels, one at the regional level and another at the occupational level. Faced with such widespread talent shortages, a lone organization may not be able to have much impact. Instead, one or more of the following may be more effective:

Regional responses

When the challenge (such as the shortage of social workers) affects not only an individual organization but others in the same geographical area, they may be able to band together to leverage their pooled resources more effectively than they could do acting alone.

Occupation/profession-level interventions

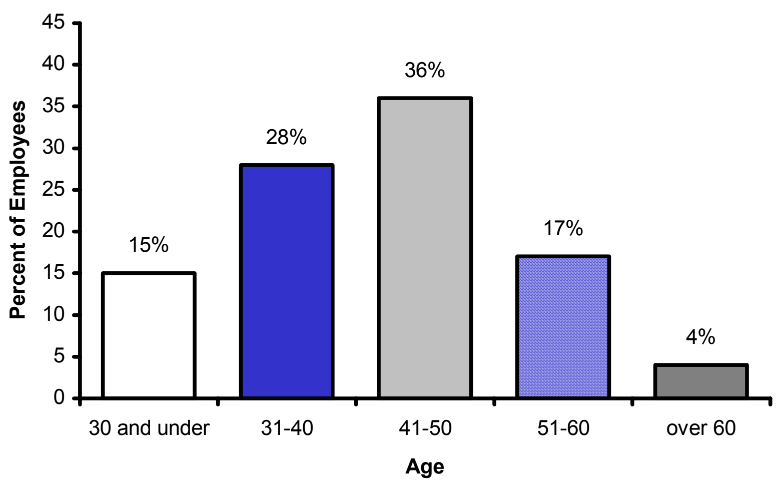
When the labor pool for an entire occupational group is scarce—as it is for social workers, as well as for teachers and many health care professions, but particularly nurses— then interventions at the profession- or occupational-group level make sense.

The California counties' example is a bit of a hybrid. It clearly demonstrates a regional approach. And because the counties are making an aggressive effort to reach out to the institutions that are producing new social workers and to advertise in professional publications, their response also exemplifies an initiative located at the Continuum of Responses' occupational-group level.

City of Anaheim, CA

NUMBER OF EMPLOYEES: 2,101 full-time positions

AGE DISTRIBUTION OF WORKFORCE



Average age: 43 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

Faced with an immediate crisis in its leadership pipeline —80% of executive managers are *already* eligible to retire, as are more than half of its total management cadre—Anaheim has developed an extensive program for developing leaders, including

- Degree and certificate programs
- Scholarships to top-ranked executive-development programs
- On-site and off-site programs delivered by university faculty

ELIGIBILITY CRITERIA FOR RETIREMENT

Employees are eligible for retirement at age 50. There is no early retirement option. Says Organizational Development and Training Manager Connie Phillips, "We don't want anybody to leave."

RETIREMENT PROJECTIONS

Of the city's 15 executive managers—including department heads, the City Manager and the Assistant City Manager—twelve are currently eligible for retirement.

Of the city's 489 managers—including executives, division heads and middle managers— 54% are already retirement eligible and 32% are age 55 or older.

By 2004, 64% of the current management cadre will be eligible to retire.

BUILDING THE BENCH

Interestingly, it's mid-career employees who are most concerned about the coming spike in retirements, according to Phillips. Knowing they're positioned to take over once older managers retire, they wonder out loud, "Am I going to be *ready*?"

With more than half the city's 14 department heads already eligible for retirement, "We're looking at a massive defection" of top managers, she says. It's not just the large number who will be leaving that concerns younger employees. It's also that so many department heads have been in their jobs for 10-15 years. "When you're replacing tribal elders with years and years of experience," she says, "it's *intimidating*."

Even Anaheim, with its vibrant tourist economy, is facing budget cuts. So far, the city's internal training budget hasn't taken any hits. But what *has* been affected is employees' ability to attend professional conferences, an experience that Phillips says enhances their professional development and exposes them to "the bigger picture." Another consequence of previous budget cuts is that, over time, 18 departments were collapsed into 14. That has expanded department managers' responsibilities and "the breadth of what they have to manage."

DEVELOPING FUTURE LEADERS

To prepare for the onslaught of departures, Anaheim has created several initiatives to develop leaders:

1. Scholarships to nationally known leadership development programs

   Five years ago, the city created a scholarship program to send selected managers, nominated by their department head, to a week-long leadership development program at one of the country's premier institutions: Harvard, Columbia, University of Chicago, and the Center for Creative Leadership. Since then, 23 have participated, including some of the city's youngest department heads. The cost is $6-8,000 per person.

2. On-site degree programs

   The city has contracted with several universities to deliver degree programs on site to employees.

- Chapman University provides a leadership program leading to a Masters of Arts in Organizational Leadership. Thirteen city employees are working towards that degree.
- California State University at Long Beach provides a Masters degree in Emergency Management for fire and police personnel.
- The University of La Verne brings upper-division courses to the county so that employees can earn their Bachelor of Science degree in Organizational Management. So far, 25 employees are enrolled.

Employees may self-select to participate in these academic programs.

Offering such a program doesn't require any additional funding, since the city already provides tuition reimbursement. (The reimbursement rate is up to 75% to a maximum of $230 per unit.) Approximately 50 people are currently taking advantage of this benefit.

Yet Phillips notes that the on-site component is an even bigger incentive than the tuition-reimbursement policy. "In southern California, driving is a big issue."

3. Internal leadership development program

Working with Chapman University, the city also arranged for senior faculty members to deliver an on-site leadership program called LEADS, which meets one day per month for seven months. Its purpose is to take people with solid management skills and begin to develop their leadership capability. The curriculum includes popular leadership and organizational topics such as systems thinking, servant leadership, and change management.

Using the Leadership Practices Inventory, participants use an assessment, which they and five others complete before and after the program. Based on the work of James Kouzes and Barry Posner, this instrument assesses their behavior in five leadership areas. By the end of the program, the average improvement in each area was 16 points on a 60-point scale. Nine people improved by at least 40 points and eight others improved by 60 points or more.

Seventy employees have completed the program and another 60 are currently enrolled. The program costs the city $43,500 per program plus the cost of materials ($3,000 including reading materials and notebooks).

Participants must be nominated for the program. Typically, they range in age from 39-47 years in age and have less than four years experience in their current assignment. "This is not a fix-it program, " asserts Phillips. "You have to start with good people and then you can develop them."

FUTURE CHALLENGES

Perhaps the saving grace for Anaheim—thus far—is that few managers leave as soon as they're eligible for retirement. Fortunately, says Phillips, "They're having fun and they don't want to leave." But sooner or later they will go. To prepare for that, she hopes the city will develop a mentoring program to ensure there will be an adequate pool of successors. Senior managers need to think about "who's going to replace me and what am I going to do to make sure that happens?" she says. And high-potentials "need to be tapped on the shoulder and told, 'I'm going to help you get there.'"

LESSONS LEARNED

1. One program will not fit everyone, warns Phillips. It is important to offer a variety of programs for leadership development because people have different maturity levels and educational backgrounds.

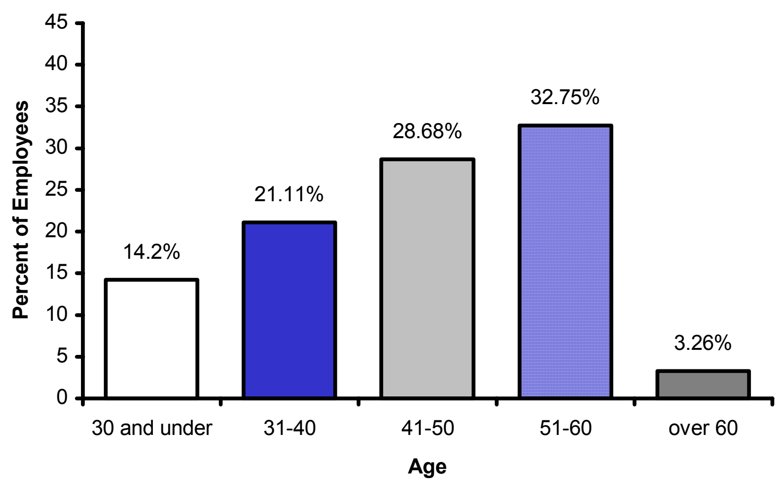
2. Programs need to balance relationship-building within the organization and exposure to outside leaders and instructors.

3. Leadership programs should reach far down into the organization and be repeated over a number of years to really have an impact.

United States General Accounting Office

NUMBER OF EMPLOYEES: 3,200

AGE DISTRIBUTION OF WORKFORCE



Average age: 45 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

Using flexibilities available to all federal agencies and others granted to GAO, the agency is reshaping its workforce to meet strategic priorities through multiple initiatives:

- Recruitment, including aggressive college outreach, streamlined applications and hiring, and recruitment bonuses
- Retention, including a competency-based performance management system, performance-based pay, and student loan repayment
- Realignment, including early retirement and redeployment based on employee preference

ELIGIBILITY CRITERIA FOR RETIREMENT

Employees hired before 1985 are covered under the Civil Service Retirement System (CSRS). They become eligible for normal (called "Optional') retirement at age 55 with 30+ years of service, age 60 with 20-29 years of service, or age 62 with 5 years.

Employees hired from 1985 on are covered under the Federal Employees Retirement System (FERS). To qualify for full retirement, an employee must reach his or her minimum retirement age (which ranges from 55 for those born before 1948 up to 57 for employees born after 1969) and have 10 years of service.

From 1991 through 2002, the average age at which employees took full retirement was 58.4 years.

For details about the GAO's occasional use of early retirement incentives, see below.

RETIREMENT PROJECTIONS:

The GAO workforce is composed of

- 2,417 "mission" staff, defined as those who interact with external agencies while providing direct services on behalf of Congress
- 783 "mission support" staff provide internal services to GAO, including professional services (such as attorneys, criminal investigators and HR budget analysts) and administrative support

By FY 2005, 38% of all GAO employees will be eligible for full retirement.

By FY 2005, GAO's retirement-eligible mission employees will include:

- 58% of executives
- 53% of Band 3 employees (equivalent to Grade 15 or management-level)
- 37% of Band 2 (the largest employee cohort, including Senior Analysts and Lead Analysts on GAO client engagements)
- 26% of journeymen (entry-level) employees

Between 2002 and 2011, 1,600 employees (50% of GAO's workforce) will be eligible to retire.

GAO Mission

The **General Accounting Office** is the investigative arm of Congress. GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the American people. GAO examines the use of public funds, evaluates federal programs and activities, and provides analyses, options, recommendations, and other assistance to help the Congress make effective oversight, policy, and funding decisions. In this context, GAO works to continuously improve the economy, efficiency, and effectiveness of the federal government through financial audits, program reviews and evaluations, analyses, legal opinions, investigations, and other services. GAO's activities are designed to ensure the executive branch's accountability to the Congress under the Constitution and the government's accountability to the American people. GAO is dedicated to good government through its commitment to the core values of accountability, integrity, and reliability.

RESHAPING THE WORKFORCE

"It's a shape issue," explains Jesse Hoskins, human capital officer for the GAO. By shape, he means the distribution of the workforce in regard to jobs, levels, skills and knowledge that are critical to the GAO's mission now and in the future. Faced with an aging workforce inching intractably closer to retirement, the GAO decided to "grow the base and reshape ourselves," he says, "because we were big in the middle."

To illustrate, Hoskins offers this snapshot of GAO employees in 1998: 45.8% occupied senior analyst and lead analyst positions, while only 13.1% were in entry-level jobs. By 2002, the GAO had already made progress in shifting that distribution. Now Senior Analysts and Lead Analysts are down to 38.3% of the GAO workforce and journeymen have climbed to 22.3%.

Reshaping the GAO workforce, he says, "gives us a chance to plan attrition more effectively and, on the back end, hire entry-level employees to better respond to strategic areas." The difference, he adds, is that "you're managing *it* rather than it managing *you*."

Growth Teams are groups of employees—akin to client engagement teams or practice areas in a private-sector consulting firm—dedicated to specific areas that GAO has determined, with input from its clients and through its own environmental scanning, will be strategically important in the future. At present, GAO has 13 teams reflecting the agency's 2002-2007 priorities. For example:

- Health care needs and financing
- Education and protection of children
- Work opportunities and worker protection
- Retirement income security
- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure
- National security and preparedness

To meet growing needs in these areas, GAO has used a variety of tactics to recruit, retain, develop and redeploy its workforce in response to the emerging needs of its primary client, the United States Congress. Some of these tactics are described below.

GAO is in an unusual position *vis a vis* the challenges posed by the aging government workforce for at least two reasons.

In addition to addressing its own organizational challenges, GAO is also the federal government's chief accountability organization—a combination watchdog and investigative agency responsible for evaluating federal agencies' performance in critical areas. One such area is "human capital management"—the public sector term for what might elsewhere be called "human resource" issues, including age distribution, retirement trends and workforce planning.

Thus, GAO is in a position akin to that of a student prefect: accountable for evaluating its peers (other federal agencies) and reporting on their performance, all the while its *own* performance is expected to be exemplary. This mission, then, requires GAO to serve as a model for other agencies—in human capital management as well as other areas.

In addition, GAO represents a special case in that Congress has given it the authority to implement additional tools and flexibilities *beyond* (or instead of) those available to all federal agencies. Thus, GAO's approach to addressing the challenges posed by an aging workforce serves as a kind of object lesson for other jurisdictions. On the one hand, it demonstrates what can be done by means available to any agency. At the same time, it exercises other options not currently available elsewhere in federal government.

Here is what GAO is doing to address what in January 2001 it proclaimed to be the "human capital crisis" in federal government:

Recruitment

Based on future needs, GAO has adjusted the skills it looks for when making new hires. Analytical skills are increasingly important, along with knowledge in topical areas such as health policy, economics, and the use of information technology in high-security settings such as the new Department of Homeland Security. The aging US population is also having an impact on GAO's future, increasing the need for actuarial skills and compensation and pension expertise.

But recruitment isn't an issue only in high-growth areas. Even for teams serving those federal agencies that are *not* expected to grow, the GAO still needs to think about succession planning. It must also manage to retain critical institutional knowledge once older workers retire. To recruit the caliber of people it needs, GAO uses a variety of tactics:

- A *more competitive approach to recruiting and hiring* on college campuses, including the authority to make job offers in the fall to graduates who would join GAO upon graduation (e.g. law students, interns)
- *Streamlined application and hiring processes* by using web based systems
- An *internship program leading to permanent employment* (based on performance)
- *Recruitment bonuses*
- *Student loan repayment* of up to $6,000 per year for employees willing to commit to remaining at least three years with the agency
- *Results*

  In FY01-02, GAO hired 750 new staff, 76.4% of whom were entry-level. Many of these employees were made available to the strategic topic teams.

  In FY 2002, GAO hired employees with the following credentials:

  - Band I (journeyman level): 21% Ph.D.; 60% Masters'; 21% Bachelors'
  - Band I entry level (professional development program): 5% Ph.D.; 61% Masters'; 34% Bachelors'
  - Age: 21% under 25 years; 32% 25-30 years old; 20% 30-35 years.
  - Experience: 85% less than 2 years of federal or private-sector experience

Retention

- *Competency-based Performance Management System*

  In January 2002, GAO implemented a new system that links individual employee performance to the agency's strategic plan and core values.

- *Variable pay*

  Based on knowledge, skills, and performance, including *retention bonuses, merit raise*s, and even *dividends*.

  Recently, for example, the GAO paid a dividend of up to $1,300 on top of its usual contribution toward *student-loan repayment*. (The combined total of the dividend plus the GAO's regular contribution toward student-loan repayment could not exceed $6,000 per person for the year.)

  "We use all these incentives and retention strategies to keep the brightest and best performers," says Hoskins. And across them all, "performance is the driving force." To receive the student-loan repayment dividend, for example, "an employee's managing director had to certify that this person was worth it. This is *not* an entitlement."

- *Employee involvement*

  GAO employees participated in validating the competencies and standards the GAO now uses.

  GAO has established an Employee Advisory Council to facilitate upward communication. For example, the Council has influenced decisions regarding workforce restructuring, performance-based pay, voluntary early retirement, and the new performance-management system.

- *Employee preference survey*

  Every two years, the GAO conducts an employee "preference survey." For a specified period of time—about 20 days— employees may propose up to three new assignments as an alternative to their current one. Why does the GAO offer this opportunity? It ensures that employees continue to feel "challenged and engaged in what they're doing," says Hoskins. "It gives them an empowered sense that they can move to another team. That's an incentive as well as a retention strategy."

  There's no guarantee that the request for a new assignment will be honored, of course. That depends on organizational needs. But, at the very least, the survey raises important topics for discussion, such as the employee's career aspirations and interests and the organization's preparedness to replace that person's knowledge and skills, should he or she go elsewhere.

- *Skills inventory*

  Every few years, GAO conducts a skills inventory of its employees. Using a web-based tool, employees indicate their academic training and degrees, specialized skills, and subject-matter expertise. GAO can use this inventory whenever new needs arise. When, in the wake of September 11^{th}, it needed to find out who spoke Farci, for example, the skills inventory produced an immediate answer.

- *Training and development*

  The GAO has developed an Executive Candidate Development Program to prepare candidates for assignments in the federal government's Senior Executive Service. It also developed a two-year Professional Development Program for new analysts to foster their career development. The agency's overall training program is being redesigned to become better aligned with a 12-item competency model that has been validated by GAO employees.

- *Work/life and other workplace enhancers*

  GAO offers an on-site day-care center, a wellness and fitness center, flextime, casual dress and public-transportation subsidies, and telework.

- *Retention results*

  From FY 1998 - FY 2001, the retention rate for new employees has improved by 6%. In 1998, it was 85.1%. In FY 2001 it was 91%.

Realignment (Workforce Restructuring)

Reshaping GAO's workforce, says Hoskins, also includes " realigning the organization based on the needs of the agency. Some would call this a Reduction in Force, but it's much more than that. It's about looking at the organization's strategy and deciding how to redeploy and shape your staff to meet client demands."

- *Early Retirement*

  Another way GAO is reshaping its workforce is by offering early retirement incentives. These enable the agency to realign its workforce without resorting to a RIF.

  To qualify, employees must be at least age 50 with at least 20 years of service *or* have at least 25 years of service, regardless of their age. Employees whose request for early retirement is approved have their annuity reduced by about 2% for each year of age under age 55.

  In each case, the invitation to apply for early retirement is offered for a limited time period. The GAO may approve or disapprove such requests based on organizational need. That need is based on the employee's

  - Knowledge, skills, competencies and performance
  - Organizational unit
  - Occupational grade, series, or band level
  - Geographic area

  In 2001, 81 employees applied for early retirement, 57 were approved, 6 were disapproved and 18 withdrew their applications. Those departures freed-up positions and resources the GAO could then redeploy to meet changing needs.

  In 2002, the GAO offered a second early-retirement period that ended just as this report went to press.

- *Making performance the key criterion in personnel decisions*

  Another essential tool in workforce realignment is to make performance the most important criterion, outweighing length of service. Too often, says Hoskins—who spent his earlier career as head of HR for the city of Baltimore and, before that, Chicago—"your sharpest people leave" because, under merit system rules, job performance is valued less than length of service. Not so at GAO. In restructuring its workforce, individual performance is the primary consideration, weighted as 60% of the total score.

Human Capital Flexibilites

What enables GAO to operate under different rules than other federal agencies? That authority was granted under two pieces of "human capital flexibilities" legislation: the GAO Personnel Act of 1980 and the 2000 Personnel Flexibilities Act. Details of these bills are available at http://www.gao.gov by requesting report GAO-02-105R. Briefly stated:

GAO Personnel Act of 1980

Enabled GAO to implement a broad-band, pay-for-performance system for certain classes (GAO analysts, specialists, and certain Comptroller General appointments). This legislation

- Enables GAO to reward staff on the basis of knowledge, skills and performance rather than tenure
- Allows managers to be more flexible in utilizing staff (for example, through multi-tasking)
- Permits more flexible pay within three bands rather than more narrowly defined grades
- Gives GAO authority to direct hire up to 15 experts and consultants on a non-competitive basis to fill critical, time-sensitive positions

2000 Personnel Flexibilities Act

Passed in October 2000, this legislation enabled GAO to

- Realign its workforce with its mission and organizational priorities.
- Offer Voluntary Early Retirement or buyouts to certain employee groups. (However, due to the high costs of the mandated contribution to the retirement system, GAO does not plan to use buyouts.)
- Create senior-level positions within a scientific and technical career track, with compensation and benefits comparable to those offered with the Senior Executive Service positions.
- Weight employee performance, knowledge and skills more heavily in making workforce-restructuring decisions.

While the GAO must adhere to many federal personnel policies—such as Title 5 regulations regarding reductions in force, veterans' preference and seniority ("tenure groups") — its human capital strategy clearly benefits from the special legislative authorities it has sought and been granted. But many of the tactics GAO uses to address the challenges of an aging workforce are available to other agencies as well.

In fact, one of GAO's most recent reports—*HUMAN CAPITAL: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*— identifies how seven federal agencies have implemented various flexibilities to improve human capital management. (Report # GAO-03-2)

FUTURE CHALLENGES

GAO staff is already looking ahead to 2011, when a second wave of retirements is likely to occur. Hoskins anticipates it will be "another big bubble for us and probably for the rest of government, too, so we'll have to think about maintaining or increasing our hiring in 2007."

LESSONS LEARNED

1. *Explore alternative staffing.* As a veteran of local government before moving to Washington, Hoskins thinks jurisdictions at all levels need to explore new staffing options to get the work done. These might include leveraging technology to accomplish some of the work currently done by employees, contracting out some work, and exploring seasonal hiring.
2. *Maintain training budgets*. The dwindling tax base drives budgetary decisions, including the one to cut back training budgets. That's a fundamental error, says Hoskins, since there will always be an imperative to "train new people and to develop employees for different skills and functions and new technologies and processes."
3. *Seek greater organizational flexibility to respond to strategic demands*. Having come from city government, Hoskins understands that, at the local level, government is structured into discrete departments, each delivering direct services to the public. Police, fire and education, for example, are "totally separate worlds."

But now that he's worked in a knowledge-based agency like GAO—particularly one that's been granted special authority to innovate—Hoskins has seen the benefits of a more fluid organization, of a structure that's driven by strategic priorities and the work that needs to be done at that moment. What, exactly, does such an organization look like? It involves more matrixing and multi-tasking, he explains. More generalists and fewer specialists. And more reliance on shared services (such as centralized support functions).

"Mixing skills from all over the organization," he says, not only "results in a better final product. It's also an employee satisfier because they're challenged and getting to meet people from different parts of the organization."

Even at the local level, there's opportunity to align the organization with the work that needs to get done, he believes— for example, through multi-tasking and matrixing. (For an example of how one state agency is putting this principle to work, see the MnDOT profile in this report.)

RESOURCES

For more information, go to GAO's website: http://www.gao.gov to download the following reports:

Human Capital Management within the GAO

GAO Strategic Plan 2002-2007

GA0-02-1050R Human Capital Flexibilities. Letter from David M. Walker, Comptroller General of the United States, to Senator Fred Thompson, August 9, 2002.

GA0-02-940T Managing for Results: Using Strategic Human Capital Management to Drive Transformational Change, Statement of David M. Walker, Comptroller General of the United States, before the National Commission on the Public Service, July 15, 2002.

Human Capital Management within the Federal Government:

GAO-03-2 HUMAN CAPITAL: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces, December 2002.

GA0-02-373SP A Model of Strategic Human Capital Management, March 2002.

GA0-01-965T Human Capital: Taking Steps to Meet Current and Emerging Human Capital Challenges, July 17, 2001.

GA0-01-263 Managing for Results: Human Capital Management Discussion in Fiscal Year 2001 Performance Plans, April 2001.

GA0-01-241 Major Management Challenges and Program Risks: A Governmentwide Perspective, January 2001.

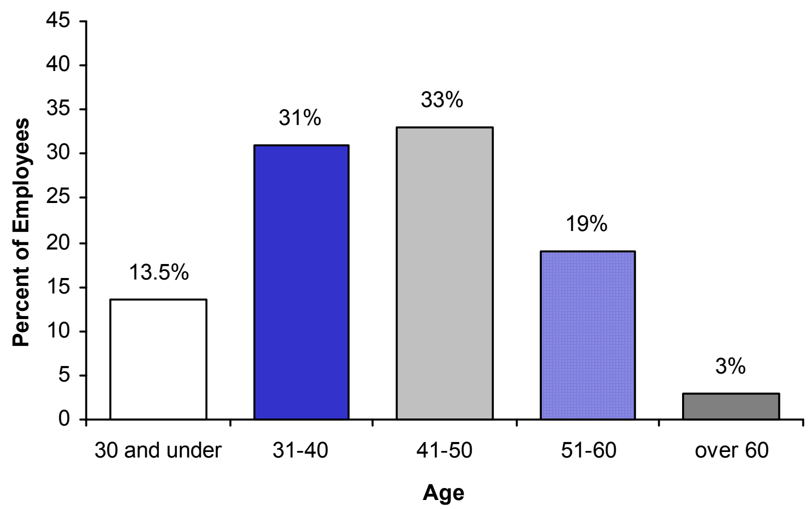
GA0-01-263 High Risk Series: An Update, January 2001.

GA0/OCG-00-14G Human Capital: A Self-Assessment Checklist for Agency Leaders, September 2000.

Henrico County, VA

NUMBER OF EMPLOYEES: 3,583 full-time and part-time permanent

AGE DISTRIBUTION OF WORKFORCE



Average age: 42 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

Henrico County's approach to meeting the challenges of an aging workforce is notable because it managed to overcome barriers such as the strict recruitment and promotion policies that hobble many other jurisdictions' ability to manage succession. By (1) providing top managers with tools to develop *all* their subordinates and (2) mandating that every department report semi-annually on its progress in developing middle- and upper-managers, the county ensures it will

- Build a bench of candidates whose ongoing development is preparing them to compete for promotions, as they occur
- Avoid brain drain when older managers retire

ELIGIBILITY CRITERIA FOR RETIREMENT

- Most county employees may retire at age 50 with 30 years of service or at age 65 with five.
- Law enforcement personnel may retire at age 50 with 25 years of service or at age 60 with at least 5 years of service.
- Employees may receive a reduced benefit as early as age 50 with 10 years of service or at age 55 with 5 years.

RETIREMENT PROJECTIONS

As of July 1, 2005, 38% of all employees will be eligible to retire with full benefits.

By 2005, 29% of the county's upper managers—that is, deputy county managers, agency heads, and assistants—will be eligible for full retirement benefits and 78% with reduced benefits. It is this management population that the county has focused on in its succession management initiative.

The county's HR department doesn't publish retirement eligibility data for individual employees. That anonymity protects the county from the possibility that employees might someday claim they were denied a promotion or training opportunity because their retirement was imminent. Yet many managers *do*, in fact, know their employees' likely plans for retirement; the difference is that it's the employee who voluntarily provides the information.

SUCCESSION MANAGEMENT

Henrico County got started in succession management as an outgrowth of an earlier initiative. Four years ago, the County Manager assigned several cross-functional teams to investigate critical issues that would affect the county's future. It was the team looking into the "educational preparedness" of the county workforce that recommended succession management as a potentially useful strategy.

After that, says Sheryn Holinsworth, senior human resources analyst for Henrico County, "succession management took off on its own."

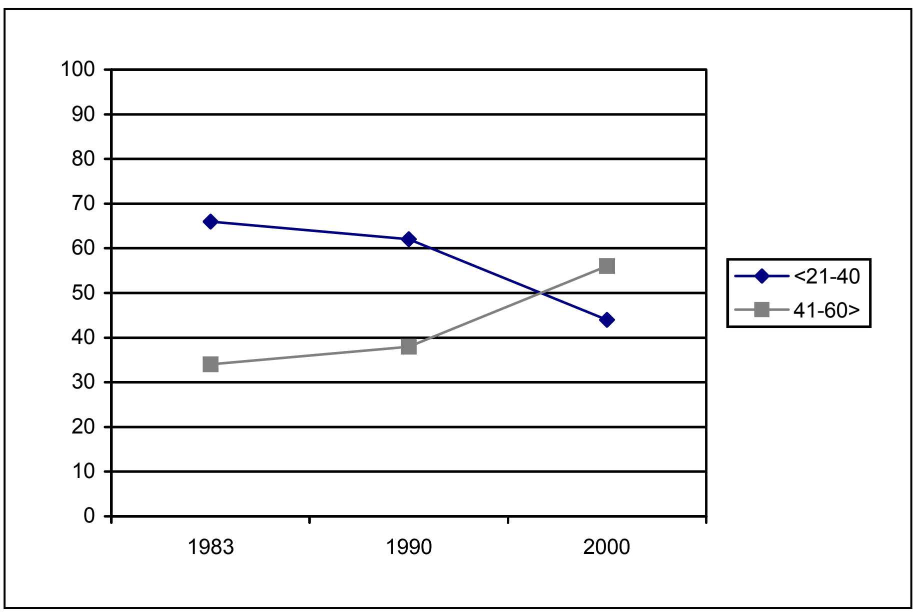
The team and, later, Holinsworth, researched private-sector approaches to identifying the next generation of leaders. But they had to adapt those practices because of stricter government policies regarding promotions. "The traditional succession planning model is to select individuals as high potentials first and then develop them. We felt a need to develop everyone first and *then* select," Holinsworth explains. "It's the opposite of what most private sector models do."

The table on the following page shows Henrico County's approach to succession management differs from succession planning in the private sector.

Succession Planning vs. Succession Management	
Succession Planning	**Succession Management**
• Identify individual for specific job	• Develop pools of qualified candidates
• Specialty disciplines	• Broad disciplines
• Siloed career growth	• Cross-boundary growth
• Centralized	• Decentralized to line managers
• Subjective criteria	• Objective criteria
• Organization directs and controls	• Individual sets career direction
• Training is primary developmental vehicle	• Job assignments and experiential projects plus training

Adapted from Sheila Regan Coin's "Succession Planning for a New Era," *Human Resource Professional*, November-December 2000.

In June 2001, the County Manager kicked-off a meeting of 75 top managers—representing at least two people from each of 30 departments. First, they saw an overview of how the county workforce was changing (shown below) and the latest retirement projections. Then Holinsworth and HR director George Cauble walked them through a presentation on the succession management process. "At that point, it wasn't a mandate," Holinsworth says. "We just encouraged them to think about it and to begin developing their people."



Changing Age Distribution of the Henrico County, VA Workforce

Six months later, the County Manager hosted a follow-up meeting at which succession management moved from theory into practice. Going forward, every department would be required to submit a written report every six months documenting what they had done to develop their middle- and upper-managers. Typically, a department head has just two people reporting to him or her: an assistant department manager and an administrative assistant. But the assistant manager supervises four-to-eight middle managers, and these roughly 175 employees are the main candidates for succession management.

Thus, the assistant manager is charged with creating an individual learning plan (ILP) for each middle manager in the department. He or she must also provide this succession pool with a list of the skills and competencies—selected from a list of 20 competencies the county developed in the mid-1990s—required to someday fill his or her shoes.

The competencies are the cornerstone of the county's comprehensive Leadership Development Program. This is a voluntary program in which county supervisors can identify their individual skill gaps and work to close them through a series of training and experiential learning activities.

Some middle managers might already be promotable. Others may need development, and still others may be perfectly content to retire in their current job, rather than moving up. "That's OK, but they can't say, 'I refuse to develop,'" says Holinsworth. "If an employee says, 'I don't want your job,' then you need to use this process to develop them in place." But choosing *not* to develop is not an option. "Everyone has the opportunity and the expectation that they will grow."

Steps in Succession Management	
One:	Clarify key positions for succession
Two:	Identify competencies needed
Three:	Develop employees
Four:	Assess employees' ability to do future work of key positions
Five:	Evaluate program

Henrico County's Succession Management Process

It wasn't hard to convince county managers they face a potential crisis when large number of managers retired. The 13-person office of the County Manager had one of the oldest workforces of all, with an average age of 53. But the numbers were compelling for other departments, and the mandated reporting process ensures that they take succession management seriously. Says Holinsworth, "The key is building accountability."

Twice a year, every upper manager must complete an evaluation form that asks:

1. What have you done in the past six months to develop the subordinate managers reporting to you?

2. What will you do in the next six months?

3. Have there been any openings in upper management positions in your department? If yes, what internal candidates applied or did not apply, and why, and who got the job?

That report is passed up the chain of command all the way to the County Manager's office. If there are job openings that attract few internal candidates, says Holinsworth, "it's a red flag." Perhaps the assistant manager hasn't been encouraging subordinates' development. Or it might be that the majority of middle managers are *themselves* about to retire, in which case the department needs to begin developing first-line supervisors. In fact, the county encourages departments to implement the five-step process further down in the organization. "We're putting a huge emphasis on the middle-manager group," says Holinsworth. Soon the county will launch a new training program designed to develop their critical decision-making skills, big-picture knowledge, and cross-functional networks. Assigned in teams to tackle a stretch assignment, participants will have an opportunity to learn new things while deciding how they like the kinds of challenges upper managers routinely deal with.

OUTCOMES

What impact has the process had? While it's still early, Holinsworth compares hiring decisions before and after the county implemented succession management. In the preceding year, there were six upper management openings. Two were filled by internal candidates and four by external hires. Since departments started doing succession management in 2002, there have been another six openings in upper management. All of them were filled through internal promotions.

It isn't that outside hiring is a bad idea, she emphasizes. "Organizations need new blood at times and we'll continue to look at external candidates." But succession management ensures there will also be strong candidates inside who already know the ropes.

LESSONS LEARNED

1. Accountability.

   Holding departments accountable, says Holinsworth, "has forced them to do the development they knew they should have been doing all along. Without it, development might have been put on the back burner."

2. Preparing for brain drain from unanticipated losses.

   The events of 9/11 have had a sobering impact on how the county views succession management. Says Holinsworth, "We lose people to retirement *if we're lucky*. We *hope* that's how we'll lose them, but you can't always count on that." An employer can also lose employees to sudden death, illness, or even a terrorist attack. "We don't want to be in the position of grieving the employee we lost and, at the same time, trying to find the key to the cabinet that has the information we need."

   Ensuring that the county isn't left in the lurch by unanticipated staff turnover, she says, means "not just passing on the knowledge and competencies but also the practical things: how your files are organized or where on your computer you keep certain data."

3. Changing the culture regarding knowledge sharing.

   Power goes to the keepers and holders of knowledge: That ethos is deeply ingrained in the culture of many government organizations. Public-sector employees often believe that the secret to getting ahead depends on "what you know that no one else does." But imagine the impacts, in such a culture, if a large number of managers were to retire at the same time. The results could be disastrous.

   That is exactly why Henrico County is trying to change that culture to motivate leaders, in the words of John Maxwell, to "become a legacy," a distinction earned not by hoarding information but, she explains, "through what you know and what you pass on to others." Writing in *21 Irrefutable Laws of Leadership*, Maxwell exhorts leaders, "A legacy is created only when a person puts his organization into the position to do great things *without* him." By creating many such legacies, the county hopes to smooth the way to a new generation of leaders.

4. Sometimes reluctant succession candidates change their mind.

   One unexpected outcome of this succession management process is that upper- and middle-managers who initially weren't interested in moving up sometimes change their minds.

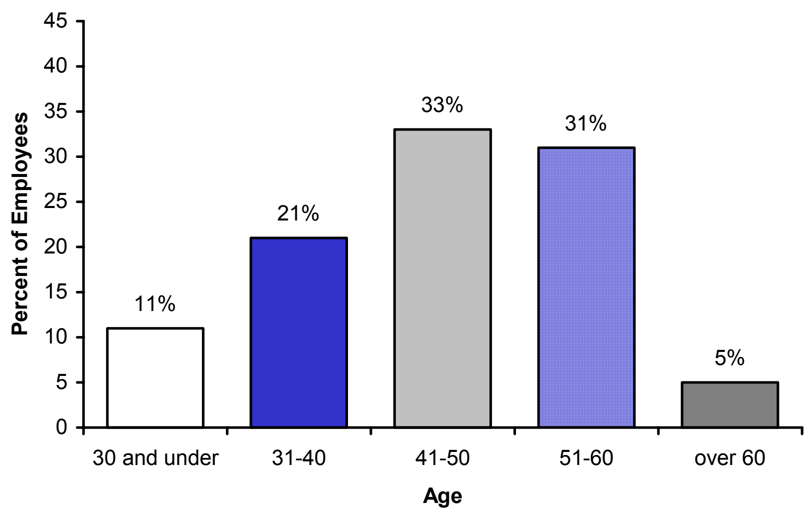
> Once there's an opening for a new assistant manager, they may decide to apply. Notes Holinsworth, "If we hadn't developed them, they wouldn't have become viable candidates." Thus the process not only creates a succession pool, it may encourage participants to consider career paths they might not have otherwise. That's an important unintended benefit in an organization that may need to replace a large number of departing managers.

Several of the tools developed or adapted by Henrico County are included in Research Findings Part III.

Minnesota Department of Transportation (MN/DOT)

NUMBER OF EMPLOYEES: approximately 5,315

AGE DISTRIBUTION OF WORKFORCE



Average age: 45 years
Average tenure: over 20 years

Within management ranks and higher levels of engineers, most have 20-25 years of service and are 55-60 years old.

INNOVATIVE EFFORTS/PROMISING PRACTICES

MN/DOT is managing its workforce needs through a combination of approaches:

Succession Planning is a developmental process for everyone who participates. At MN/DOT, that's all of the department's classified managers. Whether they're six months away from retirement or the youngest up-and-comer, everyone has a role, either as a succession candidate or as a mentor or coach.

Strategic Staffing What's notable about MN/DOT's model of workforce planning is its focus on specific skills and capabilities rather than on job classifications—an approach that has enabled the department to find flexible staffing opportunities within its existing ranks

ELIGIBILITY CRITERIA FOR RETIREMENT

Eligible for full retirement at age 65 or when employee's age plus years of service equal 90 (Rule of 90).

Eligible for early retirement (reduced benefits) at age 62.

Most employees retire 3-5 years after they're eligible.

RETIREMENT PROJECTIONS

Within 5 years, 55% of managers, 40% of supervisors and 50% of engineering and para-engineering staff will be eligible for retirement; 85% of para-engineers can retire by 2010.

SUCCESSION PLANNING

Since 1994, MN/DOT has engaged in succession planning to identify a talent pool of successors who are aligned with the department's strategic goals and objectives. By developing candidates who can move into leadership, the department seeks to minimize operational disruptions.

Before MN/DOT could implement succession planning, the department first needed to develop a competency model for the organization and win its acceptance at the executive level. To do so, a steering committee of senior managers directed a DOT task group to research and establish seven individual core competencies that describe how managers, supervisors and non-supervisory employees perform their jobs (see Figure 2).

They also defined specific behaviors that characterize each competency. Today, this competency model drives the department's leadership criteria. It is also incorporated into the performance management process, position descriptions, career planning, recruitment and selection.

MN/DOT Competency Model

- Leadership
- People management
- Organizational knowledge
- Technical knowledge
- Quality management
- Learning and strategic systems thinking
- Individual characteristics

The institutionalization of succession planning was, by no means, immediate. It took eight months just to negotiate the competency model, says Wayne Brede, Staffing Manager for MN/DOT's Office of Human Resources. Once management accepted the model, the Committee then developed a four-phase succession-planning process based on best practices in the private sector:

1. Gather Organizational Data

   – The executive management team identifies emerging initiatives such as new legislative mandates and their staffing implications, potential organizational realignments, and long-range competency needs. They also consider projected turnover and retirements over the next two-to-three years. Based on these data, the team develops a list of anticipated management-level vacancies.

   – The team identifies which projected vacancies qualify as critical leadership positions, based on the criteria below. If they do not meet at least four of the seven criteria, then the team weighs whether the position should be replaced by another that will.

   – The team evaluates which core competencies are most important for each position.

<u>MN/DOT's Criteria for a Critical Leadership Position</u>

   – Critical to strategic objectives

   – Potential negative consequences to organization if the incumbent fails to succeed

   – Is either a policy-maker or significantly influences broad policy decisions

   – Incumbent possesses unique technical or organizational knowledge that is critical to the delivery of programs and services

   – Direct interface with Legislature/Congress

   – Significant involvement with external client groups

   – Sustainable new initiative(s) give(s) this position high visibility

2. Solicit Participants

   – All department managers receive job profiles for the positions that senior management has identified and must complete a survey indicating their interest in becoming candidates.

   – The executive management team reviews the applicant pool, their qualifications, and other data collected in the survey, such as willingness to relocate. Following the "Rule of Three," they identify three candidates for each position: one who is already prepared to step into the position; a second who could do so with additional preparation; and a third who is not yet ready, but has the potential and motivation to eventually succeed in the job.

3. Conduct Assessment

   – Senior-level managers who opt to become candidates take part in a multi-rater feedback process that collects input from the candidate, the supervisor, and at least two other sources of the candidate's choosing, including peers, employees and customers.

   – HR schedules, facilitates, and summarizes a small-group discussion in which the candidate's immediate supervisor presents the results of the assessment process to his or her own manager and other senior managers. The purpose of this meeting is multifold: First, the supervisor has an opportunity to explain his or her rating and to explore any variances there may be between that assessment and the others, including the candidate's own self-rating. Second, the meeting gives everyone who participates a deeper understanding of how each candidate stacks up. Third, the meeting provides what Brede describes as a "checks-and-balances system" to make certain that the supervisor isn't biased, either for or against the candidate.

It's HR's job to make sure these discussions lead to a common set of take-aways: the candidate's agreed-upon strengths, the agreed-upon developmental needs, and some specific examples of each.

4. Provide feedback

Each candidate meets with his or her supervisor for a formal feedback session based on the facilitated evaluation discussion in Phase III.

Interestingly, despite the aging workforce issue that MN/DOT faces and the well known shortage of engineers and other technical professionals, talent supply is not the foremost challenge, says Brede. "On the engineering side, we have a sufficient number. There are a lot of good engineering managers here, but not a lot of engineering *leaders*. It's just a matter of getting them developed in the right way."

It's a challenge that MN/DOT's competency model and succession planning process are intended to tackle—first, by identifying promising candidates and second, by providing all senior managers with feedback and developmental opportunities, including a leadership academy. Having refined the succession planning process through three iterations since 1994—and, as a result, filled 28 senior management positions—MN/DOT has identified several factors critical to succession planning's success:

– Universal participation. All 180 of MN/DOT's top managers must participate in succession planning—either as succession candidates for future jobs or as a coach or mentor to those candidates. Overall, about half the population chooses each option. Managers who are approaching retirement age typically choose to become a coach or mentor.

– Limited cycle time. The first year, MN/DOT made the mistake of including too many jobs and too many levels in its succession planning. As a result, the process took too long. The next time around, it took only five months, instead to the previous ten. "You have to be careful how you roll this out," advises Brede. "People lose interest if it takes too long."

– Limited number of participants in assessment discussions. "The toughest part, and the most time-consuming phase, is trying to get a fair assessment," he says. Initially, MN/DOT tried to involve a larger number of senior managers in the assessment discussion, but that "took forever to get done." To make the process more timely, they've compromised by having fewer managers take part in the discussion.

– Guaranteed feedback. Says Brede, "If they don't get feedback, employees say why bother doing this? I'm getting nothing out of it." The problem, he explains, is that "the first time out, there was no accountability" to make sure managers delivered feedback. Supervisors worried that negative feedback would anger people or lower morale. Since then, they've learned they can avoid such problems if two things occur: Feedback must be based on observable behaviors ("As a result of your indecision as a leader, we lost $3 million on this bridge job."). And it must be linked to developmental strategies ("Here's your challenge area, and here's what you can do to work on it.").

- Stable sponsorship. MN/DOT's senior executive may change as the result of an election, which means starting from scratch to build support for the competency model and succession planning process. "You have to have stable sponsorship—such as a high-level career manager—to protect the process even when there's a change in administration," says Brede. "One of the toughest challenges is to make sure the integrity of the process continues, regardless of which political party is in power."
- It's not just integrity that's at stake. If relocation costs or training and development funds are cut from the budget, candidates lose interest in the succession planning process. That's why ongoing support is essential to ensure the process's long-term success.

STRATEGIC STAFFING

MN/DOT uses the term Strategic Staffing to describe its process of getting the right people with the right skills, in the right places at the right time to accomplish a defined workload. Most workforce planning models have the same core elements and most produce a gap analysis based on a competency model. Strategic Staffing is a more detailed look at work activities. The Strategic Staffing process (see below) is closely integrated with the Department's strategic and operational planning. It encompasses every phase of the employee life cycle: recruitment, hiring, promotions, transfer, redeployment, attrition, and retention. It also includes other HR activities such as employee development and classification.

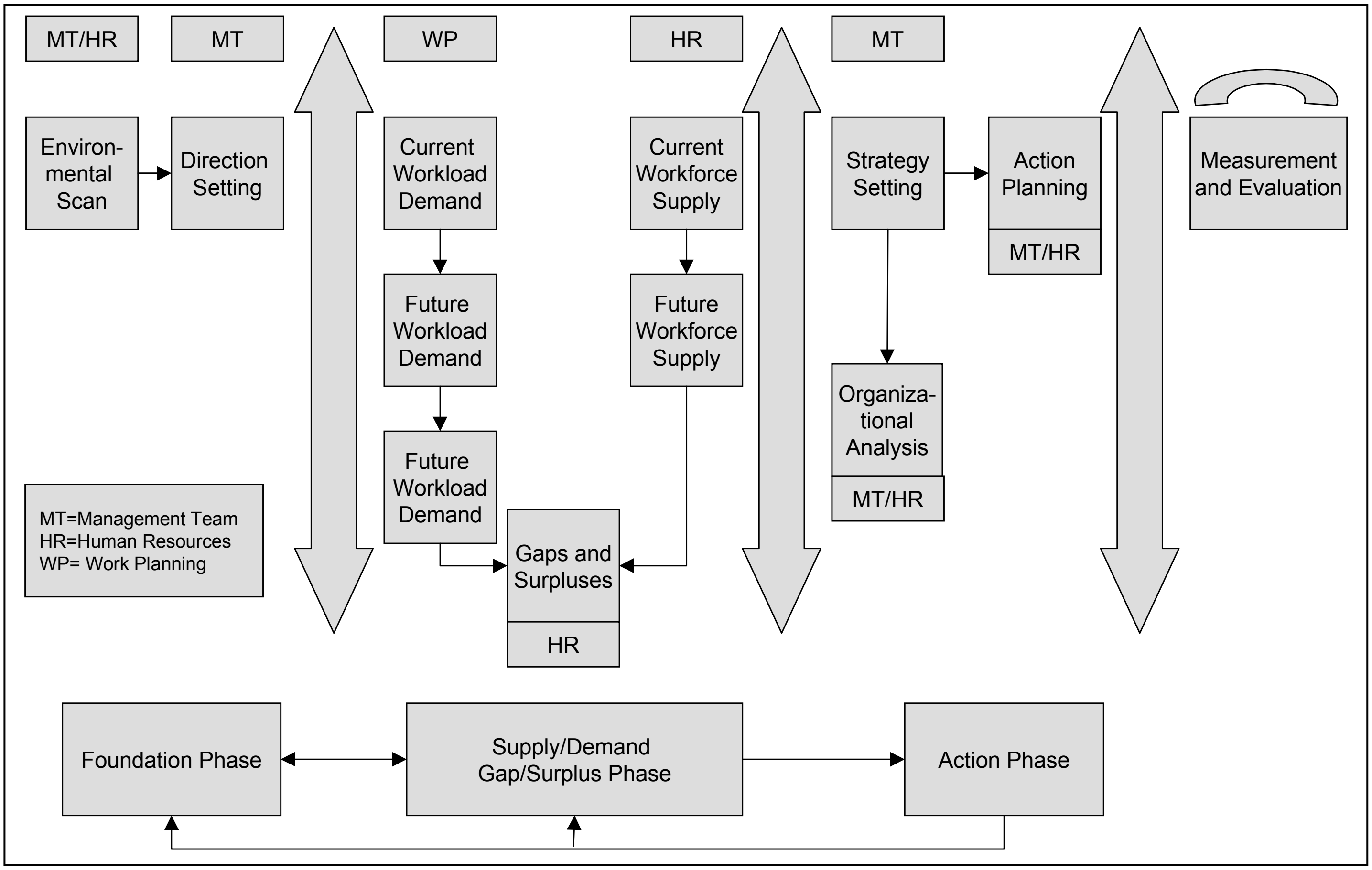
With its focus on specific work activities and the capabilities they require, Strategic Staffing is "a different slant on job posting," says Strategic Staffing Coordinator Trent Weber . Traditionally, in a union shop such as MN/DOT—where 95% of employees are represented by one of four unions—seniority determines who gets to bid on a job. But seniority isn't always the best predictor of other qualifications. MN/DOT worked out an agreement with the unions that candidates may bid on a job only if they have the required capabilities, after which seniority determines who gets the job. Under the old system, says Weber, it might take a long time to "train up" a new appointee who didn't have the critical skills. But someone who already has those skills, even if they got them doing a completely different kind of job, can get up to speed more quickly. That's important in an organization where the majority of employees in some groups will soon be walking out the door.

To see how focusing on skills and capabilities—rather than formal job titles—leads to greater staffing flexibility, consider the Transportation Specialist Series (TSS). It's an accomplishment whose magnitude might be lost on private sector employers, but it continues to attract inquiries from other states, even four years later. What MN/DOT did that other states are eager to emulate is this: Working with the American Federation of State, County and Municipal Employees (AFSCME), they combined two different positions—the highway maintenance worker and the highway technician—into a single series or "job family": the Transportation Specialist Series (TSS). By recognizing that both jobs entail common work elements, MN/DOT was able to offer year-round employment to a single workforce, rather than the more labor-intensive (and costly) practice of hiring and seasonally laying-off two separate seasonal workforces. The result was a win for everyone: the employees, the union, and the state.

The same principle underlies MN/DOT's Strategic Staffing process: you look at who you already have in your workforce who already knows how to do what will need to be done in the future.

Then you exploit every opportunity for staffing flexibility to accomplish the Department's current work and to prepare for future demands.

The actual process for Strategic Staffing is considerably more complex than that: even a simplified model looks like an engineer's schematic diagram, complete with feedback loops and cryptic codes. It takes into account larger issues in the environment and the department's strategic planning. Then it compares workforce supply vs. need, both now and in the future.



Strategic Staffing Process

STEPS IN MN/DOT STRATEGIC STAFFING PROCESS

PHASE 1 – FOUNDATION

Management and the HR staff conduct an environmental scan that includes both the internal and the external forces that may impact the Department's staffing efforts within a specified time horizon—say, two-to-three years. Interestingly, external issues may differ from one part of the state to another. For example, metro-area residents place a high priority on snow removal since that affects their commute time, while urban Minneapolis citizens tolerate slower clearing of roads. Such differences mean the same activity--clearing snow-- requires different staffing levels from one district to another.

The kinds of internal issues that affect future staffing include turnover trends, employee attitudes (based on an employee survey), and technological advances that may change the number of people or the skills needed for a given task. Management conducts a SWOT analysis (identifying strengths, weaknesses, opportunities and threats) of both internal and external factors. They identify preliminary responses and set a timeframe for taking action.

With the knowledge gained in the environmental scan, MN/DOT managers begin to identify staffing needs. This direction-setting process includes developing a staffing philosophy, such as maintaining a stable staffing level or planning on seasonal peaks or attracting and retaining a diverse workforce. At this stage, managers also set guidelines for staffing (for example, two people per truck per district) and work units (every design squad will have one Technical Specialist, two Technical Generalists Senior, and one Technical Generalist).

Those who have participated in the Strategic Staffing process say that this phase is one of the most important since it brings the management team together. The result: Everyone comes away with a shared understanding of staffing needs and direction for the entire organization. That enables managers to make better decisions about where they might look internally when they're short a few people, or where slack resources (such as temporary downtime) might be redeployed to meet other organizational needs.

PHASE 2 – SUPPLY/DEMAND and GAP/SURPLUS

This phase of the Strategic Staffing process focuses on the numbers: how many employees of specific types are needed to accomplish the work, and whether there's a gap between projected supply and demand.

The demand side of this process examines the projected, prioritized work the department will need to perform. This analysis can be done at both the macro and micro level, depending on the needs of the department, division, or office. Based on projected work, managers can then determine the labor requirements, calculated in terms of FTEs needed in specific classifications by type of work and skills and capabilities needed.

The supply side of this process examines the projected skills and capabilities available in the department's workforce, taking into account anticipated retirements and separations. The supply-side projections are based on employees' time sheets for the past year. Because workers record not only their hours but also their activities, HR could use that information to map the supply of skills available in the workforce. Again, the analysis may be done at either a macro or micro level--so long as the same level of analysis is used for both supply and demand.

It's the level of analysis that determines what managers learn from by analyzing supply vs. demand. If the Department chooses a macro level approach, they can determine a projected surplus or shortage of employees in a certain classification. Using a more micro level of analysis, they can identify potential gaps between supply and demand for a specific skill, in a certain classification, for a particular office.

PHASE 3 – ACTION

Now managers must decide how to address the gap or surplus identified in Phases I and II, for example, by reskilling the workforce, contracting out work, or laying people off.

To carry out these chosen strategies, managers create an action plan that spells out what must be done, when it will be completed, and who's responsible. It's at this stage of the Strategic Staffing process that managers sometimes decide to conduct an organizational analysis to determine whether structural changes would help the organization accomplish its projected work.

PHASE 4 – MEASUREMENT AND EVALUATION

The Strategic Staffing plans are measured based on the efficiency and effectiveness of the results attained through the use of the process. Weber notes that the Department is still determining how it will evaluate the process. For HR, likely measures include: Have we alleviated the gap between supply and demand? Did we implement the action plan on time?

In the Department's Operations area, the impact of Strategic Staffing will be measured against a different set of goals: Are we meeting our "letting" dates—the deadline by which MN/DOT must complete the design, materials selection and other pre-work so that external contractors can begin construction? And have we met our customers' expectations?

Beginning in August 1999, MN/DOT piloted Strategic Staffing in one district office over a three-year period beginning in 1999. With each annual iteration, the process was fine-tuned and managers became progressively more comfortable with it. In January 2003, the process will be rolled out to the entire department.

RESULTS

Perhaps the biggest change is that the process led managers in different operational areas, such as maintenance and technical engineering, to look at the whole district's workforce overall, rather than focusing on "my people" vs. "yours." Says Weber, "They actually talk to each other" about department-wide staffing.

Interestingly, the data needed to scan the department's workforce come from an unexpected source: the DOT's Product and Service Grid. It's the form on which employees record their time under specific activity codes. Before, it was seen as just an accounting sheet. Now managers are using it to look across the organization to see where else they might find people with the cluster of capabilities needed to fill a vacant position.

Based on its experience thus far, MN/DOT offers the following lessons learned:

1. Ensure accuracy of data. To complete a time sheet, MN/DOT employees have to indicate the capabilities they used. Early on, however, it became apparent that these entries were unreliable. "People were just entering in stuff in order to get paid," says Weber. Changing that required two things: Supervisors needed to be

trained to monitor how their subordinates were recording their activity. And subordinates needed to understand that what they put down might later help or hinder them in bidding for a new job.

2. There's a steep learning curve of two to three months the first time managers run through the Strategic Staffing process. The next time, it should take them a lot less. In fact, the department's goal is that every district management team will spend 10-15 minutes every two weeks revisiting their Strategic Staffing plan to see what needs to be tweaked. With regular adjustments, it need never again be as monumental a task as it was the first time.

3. Anticipate resistance. Weber has heard it all: First, this is just flavor-of-the-month. Second, we've always managed by the seat of our pants in the past. Why change now? And, third, how will this information be used? Is this just a trick to cut our budget?

4. To reduce anticipated resistance, MN/DOT decided to use the current activity-based time sheets to track actual skills and capabilities. The advantage was that these data were already being collected (albeit imperfectly), so it didn't add another report.

5. Support from the Department's executive management team also helps. Now, when a supervisor submits a position-fill request, it will be turned down if it's not on track with his or her Strategic Staffing Plan.

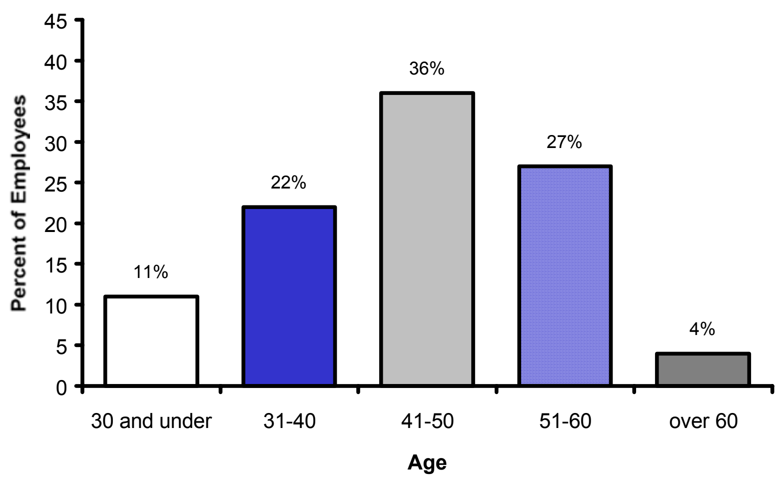
6. It's OK to be flexible about the timeframe for Strategic Staffing, depending on local needs. For IT, it may be appropriate to develop a tactical plan that looks just six months ahead. For Maintenance, a three-to-four-year Strategic Staffing plan may be appropriate.

   Focus on the most critical staffing priorities. "We initially thought there should be a Strategic Staffing plan for all job classifications," says Weber. Experience has shown that it's more important to focus on the positions that will have the most retirements, be hardest to fill, or have the biggest impact on program delivery. "If it's not going to add high value," concludes Weber, "don't spend time on it."

State of Maine

NUMBER OF EMPLOYEES: 12,300

AGE DISTRIBUTION OF WORKFORCE



Average age: 44.72 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

- Revising the law to permit rehiring state retirees
- Creating the Maine Management Service to develop agency leaders, improve selection and succession planning , and reform the civil service system

In addition to the factors that have driven up the age of the workforce throughout government—increased hiring during the later 1960s and 1970s, downsizing that eliminated younger workers, and hiring freezes that stalled the infusion of new talent—there is another factor that influences the age profile of Maine's state workforce: *The average age of Maine's overall population is about two years older than that of the rest of the country*. As a result, the state is hiring from a more mature talent pool and competition for younger workers is even more intense than in other states.

ELIGIBILITY CRITERIA FOR RETIREMENT

State employees are eligible for full retirement at age 60 or with 25 years in the state system. Currently, Maine has two policies regarding early retirement:

- For employees with 10 or more years of service as of July 1993: Those who retire before age 60 will have their pension reduced 2.25% annually (until they reach age 60). A task force is currently reconsidering the policy for employees who had 6-9 years in the system at the time of the policy change in 1993.
- All other state employees who retire before age 60 have an actuarial reduction in the pension amounting to nearly 6% (until they reach age 60).

A Legislative task force has been formed to study ways to address the inequities that were created by the 1993 plan changes. It will submit legislation to restore the more generous "age 60" retirement plan to all state employees and a means to fund this restoration for consideration by the upcoming Legislature.

RETIREMENT PROJECTIONS

Within next five years, 32% of the state workforce and 50% of managers will be elegible for full retirement.

REHIRING RETIRED STATE WORKERS

In March 2001, Maine passed a new law enabling retirees from state government (and public schools) to return to state employment without losing their pension benefits. While many states limit the number of hours, weeks, or months retirees may work per year, Maine does not. However, there is no guarantee that they will be rehired in the same job, location, department or agency they retired from.

Since the law went into effect in September 2001, 165 retirees have come back to work. That figure is lower than might be expected for two reasons:

1. Like many states, Maine is feeling the effects of severely reduced revenues and has implemented a hiring freeze. (However, about 20% of positions are exempt from this freeze— for example, some jobs in public safety, corrections and the Department of Transportation, which receives federal funds.)

2. Due to the hiring freeze, the Bureau of Human Resources has not yet begun to work with agencies to develop a process for recruiting retirees. Eventually, the state will create a database collected from retirees, such as contact information, skills and experience, and the kind of work they'd be interested in—part-time, seasonal, project-based, etc. This registry will include not only former state government workers but anyone who is part of the Maine State Retirement Plan, including teachers.

What persuaded the Maine Legislature to change the old policy?

As originally proposed, the bill excluded early retirees from the pension offset. The reason? Thrifty Yankees didn't like the idea of opportunistic state workers double-dipping, that is, taking early retirement and then returning to work for the state. That would mean they could collect *two* checks each month from the state—a reduced pension check until they reached normal retirement age and a regular paycheck.

In the end, that exclusion was struck down. "An Act to Repeal the Limitation on Certain Income that Maine State Retirement System Retirees May Earn Without Incurring a Reduction in Benefits" applies to all state retirees, regardless of whether they're receiving a full or partial pension.

Testifying before the Legislature's Joint Standing Committee on Labor, Donald Wills, Director of the Bureau of Human Resources (BHR), argued forcefully for the change. "Under current law, a state worker who elects to retire can work for any other employer *but* State Government and earn as they want without affecting their state retirement benefits. It makes no sense to provide an economic incentive for these skilled workers to take their talent and expertise elsewhere."

Wills dismissed the objection to double-dipping. "An employee's retirement benefit has been earned and paid for," he argued. "As a retiree, no additional retirement credits will be earned. All this bill does is even the playing field so that State Government can compete with other employers…."

Even more compelling, perhaps, was that hiring a retiree would actually *save* money. In fact, it would economize on two counts: first, because the State doesn't have to contribute to the retiree's retirement fund, as it would if the employee were not a state retiree. Second, because it doesn't have to pay for health insurance, since that's already funded through the Retiree Health Insurance Fund.

The unions raised a completely different objection. They didn't want retirees competing against regular state workers for the same jobs, since that might reduce promotional opportunities for their members. The civil service system resolved the issue: Retirees would be treated as rehires, so they wouldn't get preference over regular employees.

In passing this new legislation, Maine has taken preemptive steps to prepare for the approaching tidal wave of retirements and to supplement the smaller pool of younger workers. But that is not the only employment policy that serves this purpose. Maine also allows employees to request flexible work arrangements such as part-time work and job-sharing. While those options were originally introduced as work/life initiatives, they may now serve as an inducement to persuade older workers to postpone retirement or to draw retirees back to work.

In effect, changing Maine's pension policy and creating a database of potential rehirees is a little like what hospitals do before surgery: By collecting a pint or two of the patient's own blood in advance, they ensure that there's a replacement supply, if and when it's needed. That's less risky than depending on blood from another source that might later turn out to be tainted or not the right type.

FUTURE CHALLENGES

The real groundswell of state worker retirements is likely to begin in about two years, when the leading edge of Maine's age bubble hits age 58. Historically, that's when many state employees retire. That age may rise once the cohort who missed out on the state's previous, more generous, early-retirement package reaches their late 50s. But even if fewer people take early retirement, there is no stopping age's inevitable impact on Maine's state workforce: Within the next four-to-six years, says Wills, "that's when we're really going to get a lot of baby boomer retirements."

Maine has undertaken another, much larger, initiative that will also help it cope with the departure of so many state workers. Ironically, the effort known as the Maine Management Service was launched before the aging workforce was even on anyone's screen.

THE MAINE MANAGEMENT SERVICE

Even before Maine recognized it had an aging workforce problem, the state realized the need to work on leadership development. "We're no different than many other states," says Will. "We're civil service, so we tend to promote people because they're the best technician. The best biologist will get a promotion because that's the only way you could reward him or her for being a great biologist." But that didn't necessarily make for great managers, let alone great leaders.

It was the creeping realization that state agencies were suffering from a "leadership void" that set in motion the chain of events that resulted, ultimately, in the Maine Management Service. The time was the late-90s. Rather than developing a "solution" within HR, Wills worked with Linkage, Inc. to execute a more challenging change model, giving up HR's role as architect and driver and seeking instead to build a wide network of commitment among government leaders.

The details of this change process are described in a three-part article Wills wrote for the International Personnel Management Association's newsletter, available at http://www.state.me.us/bhr/mms/ipma_news.htm . The basic sequence of steps entailed:

1. Inviting 50 senior managers to identify the traits of a successful manager. This exercise ultimately led to a ten-competency model.

2. Convening a Steering Committee of Deputy Commissioners to oversee the change process. One of their first moves was to sponsor an employee survey that defined problem areas and gave employees at all levels a way to participate.

3. Asking the state's HR managers to set priorities for change to meet Maine's leadership needs. The results:

   – Leadership development

   – Selection and succession planning

   – Classification and civil service rules

4. Charging another committee with the task of developing a plan for addressing those priorities. The result was the creation of the Maine Management Service (MMS), which was formally introduced in March 2001 at a meeting hosted by the Governor.

   With its focus on the state's confidential management and executive positions—initially 300 job classifications staffed by about 600 senior managers— MMS is the umbrella term that covers a variety of initiatives all connected by the ten leadership competencies.

Leadership Development

To promote a network of skilled leaders:

- The state launched the Maine Leadership Institute (MLI), a three-day program that serves as a prerequisite for all other leadership programs. Senior government officials serve as faculty. As part of the program, participants complete a 360-degree assessment and an individualized leadership development plan.
- Other leadership development programs under MMS include a formal mentoring program, job shadowing, job exchanges, networking with MMS alumni, and various academic and skill-building programs.

Selection and Succession Planning

To improve selection and succession planning and ensure their alignment with the competency model:

- All MMS "members" must attend a one-day training program to learn competency-based interviewing, an approach that elicits job candidates' personal stories and experiences related to the ten competencies.
- MMS developed a handbook for managers with advice on successful recuitment techniques.
- The Bureau of Human Resources is currently piloting a succession planning process and tools with the Department of Transportation that will eventually be available to help all agencies recruit, develop, and retain future leaders.

Classification and Civil Service

To simplify civil service rules and decentralize human resource functions related to confidential managers, that is, those not represented by a bargaining unit:

- The new MMS Classification Plan reduces the previous 300 classifications to nine. In fact, it designates three primary classes—coordinators, managers, and executives—each with three levels. (For more detailed information, go to http://www.state.me.us/bhr/mms/Classification%20Plan%20MMS%200805.pdf .)
- Simplifying the system also simplifies the rules, which gives agencies greater flexibility in decisions regarding classification and compensation, recruitment and selection, reductions in force, and complaints, grievances and investigations. MMS also decentralizes responsibility for many human resource functions. Now agencies can develop selection criteria and training and development programs to meet their specific needs.
- To prepare agency HR staff for their expanded role, the Bureau of Human Resources created a certificate program in consulting skills for agency HR managers. Historically, their jobs involved processing forms, handling grievance and disputes, and knowing their way around the civil service rules. Today, it's far more important that they work on HR planning issues with their agency head. That role requires a different set of skills, which the certificate program helps develop.

The Civil Service Rules for the Maine Management Service were formally adopted on July 13, 2001.

Summarizing MMS's overall impact, Wills says, "The Maine Management Service will provide managers with a clear understanding of what it takes to excel as a leader in state government, and the competency model provides a road map for development. The new emphasis on *leadership*, as opposed to experience in a specific program, as the focus of development and selection will help break down the "silo" mentality that is so prevalent in public organizations. That, in turn, will lead to greater mobility among state managers and, eventually, a breaking down of the institutional barriers between departments and divisions. Those are things that can inhibit effective service delivery." A detailed description of the Maine Management Service is available at http://www.state.me.us/bhr/mms/index.htm

Recognizing that Maine needed to develop leaders—rather than simply promoting technical experts into management positions— was the impetus for creating MMS. The aging workforce wasn't yet on anyone's screen. But these days, the two issues are closely linked.

When Wills meets with department or agency heads, he often begins by asking, "How many of you will be eligible to retire within the next five years?" Immediately, hands fill the air. It's at that moment, as people look around the room, that Wills drives home a point that no longer needs a lot of language or even numbers. "That's what really got support for the Maine Management Service across the system," he says. "*That* became our message."

LESSONS LEARNED

1. Streamlining civil service has been a welcome change.

   While the new Civil Service Rules continue to provide protections to those managers who are civil service employees, it has far fewer procedural prescriptions, emphasizing instead performance and merit. "We thought people would object to this, as opposed to employment decisions being made on the basis of seniority," says Wills. "Overall they did not. In fact, many said, 'It's about time.'"

2. Leadership development is everyone's top priority.

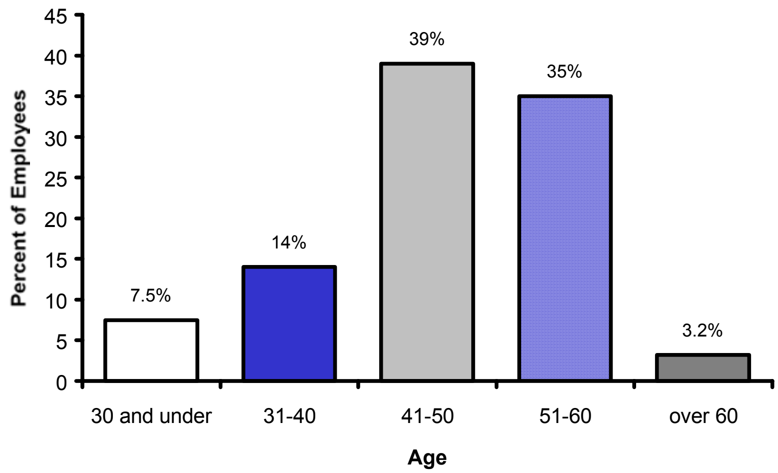
   As the work on the Maine Management Service developed, BHR asked managers, executives and HR professionals to help identify priorities for change. "Somewhat to our surprise," says Wills, "every group identified leadership development as the single highest priority. We might have expected civil service reform to head the list, or perhaps compensation administration. The fact that so many recognized that leadership development should be our top priority was both surprising and reaffirming."

Human Resource Services

Tennessee Valley Authority (TVA)

NUMBER OF EMPLOYEES: 13,000

AGE DISTRIBUTION OF WORKFORCE



Average age: 46.5 years
Average tenure: 17 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

- The TVA has extensive experience with workforce planning.
- The TVA surveys employees to ask them when they plan to retire. While some employers fear such a practice might expose them to future age-discrimination suits, the TVA has found that employees are pleased that the utility is concerned about how to replace them once they retire. Using this information for planning purposes, rather than for personnel decisions, maintains employees' trust.
- The TVA has developed a rigorous process for minimizing the "brain drain" that might occur when large numbers of employees retire. To manage "knowledge lost through attrition," the TVA identifies which jobs and which particular pieces of knowledge within those jobs pose the greatest risk. Then it chooses the most effective tactics to reduce that risk.

HISTORICAL FACTORS THAT CONTRIBUTE TO THE AGE DISTRIBUTION OF THE WORKFORCE

Like many public utilities, the Tennessee Valley Authority (TVA) has a workforce whose age distribution spikes toward the high end of the continuum. In fact, 77% of its employees are between 38-58. That's significant—and problematic— in an organization where, based on the "Rule of 80," employees can retire at age 55 if they have 25 years at the company.

What accounts for the maturity of TVA's workforce? Three factors.

1. The utility, the country's largest public power company, went on a huge building campaign in the 1960s and 70s, peaking at almost 53,000 employees in 1982. Many who were hired in those years are now approaching retirement. In fact, within the next five years, 35% of TVA workers will be eligible to retire.

2. Utility jobs tend to have low turnover. That means fewer job openings, limiting the influx of younger workers.

3. The TVA began an extended period of downsizing once the construction of nuclear plants slowed and the utility no longer needed to keep a large construction workforce on the payroll. From an all-time high of 53,000 employees, the workforce dropped below 30,000 by 1988 and continued shrinking until about 1997, when it reached a stable level. During this period of downsizing, incentives were offered that led many younger employees to leave the company.

ELIGIBILITY CRITERIA FOR RETIREMENT

Employees qualify for full retirement once they reach age 55 and their age and years of service add up to 80 ("the Rule of 80"). By forfeiting annual sick leave, some employees qualify even earlier, at age 52 or 53, but the average age at retirement is 55. Most of the employees now nearing retirement are covered under a defined benefit pension plan, so they're relatively protected from drops in the stock market.

Average age at retirement (for employees covered under this plan): 55 years overall. For technical managers, it's 54; for craft workers, 57-58 years.

Employees hired since 1999 have a defined contribution (401K matching) plan.

RETIREMENT PROJECTIONS

In the next five years, 35% of TVA's workforce will be eligible to retire.

It's important to note that the nature of the work the TVA performs influences retirement patterns. Many of the jobs are physically demanding. Linemen, for example, have to be able to climb poles and lift heavy cables. Those who work in the coal yards operate heavy equipment. There are even people whose job it is to clean dead fish from the trap that filters river water as it comes in the fossil plants. When jobs are strenuous or physically punishing, there's a limit on how long those workers can continue working.

Mission

The Tennessee Valley Authority is a federal corporation and the nation's largest public power company. As a regional development agency, TVA supplies low-cost, reliable power, supports a thriving river system, and stimulates sustainable economic development in the public interest. TVA operates fossil-fuel plants, nuclear, and hydropower plants, and it manages the nation's fifth-largest river system to minimize flooding, maintain navigation, provide recreational opportunities, and protect water quality in the 41,000-square-mile watershed.

It serves seven states (Alabama, Georgia, Kentucky, Mississippi, North Carolina, Tennessee, Virginia) with 11 fossil (coal-fired) plants, 29 hydroelectric dams, three nuclear plants, four combustion-turbine plants, a pumped storage facility and 17,000 miles of transmission lines.

WORKFORCE PLANNING

While downsizing helped create today's graying TVA workforce, it might also be seen as having a silver lining. The need to severely prune the TVA workforce in the 1980s made the utility very good at workforce planning, since such sweeping cuts had to be strategic, at least in the short term. In fact, the TVA became so sophisticated at workforce planning that its practices gained attention as early as 1995, when they were profiled at length in *Workforce* magazine (available at http://www.workforce.com/archive/article/22/03/35.php).

While many HR-related articles of this vintage might now seem passe, the TVA's model for workforce planning still has currency. In fact, it's a recommended resource on the state of Iowa's workforce-planning website.

TVA defines workforce planning as "the systematic assessment of future HR needs and the determination of the actions required to meet those needs." But the TVA's approach to workforce planning is different today than it was 15 or even seven years ago, says Ed Boyles, who is the workforce-planning manager for the TVA's 10,000-employee Operations Group. "When we were in a downsizing mode, workforce planning was primarily numbers-crunching, establishing targets and then moving toward them." Today, the focus has zoomed from a macro view that looked at aggregate numbers down to a more micro view that looks at specific replacement needs: when, what type, and how many. Those numbers, in turn, feed into the TVA's Integrated Staffing Plan that includes succession planning, recruitment, technical training and knowledge retention initiatives.

Another change, he adds, is that the information systems are better now, which enables the TVA to involve line managers in workforce planning. They can get real-time information on a routine basis, not just through an annual planning effort. They can enter data (for example, vacancies and anticipated retirements), run analyses (such as future workforce needs), and generate reports and charts (Who's in the pipeline? How long will it take to train replacements?).

Finally, workforce planning has simply taken on greater urgency than ever before. "Because one third of our workforce can retire in the next five years," says Peters, the aging workforce "has got to be one of our top priorities. It's not a tough sell."

ASKING EMPLOYEES WHEN THEY PLAN TO RETIRE

Once the TVA had reached a stable workforce in 1998, it faced a new challenge: managing attrition. The TVA concluded that historical retirement patterns would be a poor predictor of future trends. What employees did back when the TVA was offering early-retirement incentives to trim its workforce wasn't really relevant. Thus the TVA decided to do something that many employers would balk at: They would simply ask their employees when they thought they might retire. Two years ago they began asking employees to indicate, in confidence, when they expected they would retire. About 80% have voluntarily done so. For everyone else, the TVA uses historical data from 1998 to the present to estimate when they're likely to retire.

Many employers we interviewed in our research are convinced it's a bad idea to ask such a survey question. Doing so, they fear, would make them vulnerable to age-discrimination charges. Employees might later claim they'd been denied training or job opportunities because their employer knew they were about to retire.

How did the TVA overcome this problem? By carefully communicating why they were collecting this information. First, they met with the unions to explain this wasn't another retirement-incentive program. Instead, "we were asking them to help us plan for the TVA's future."

It was also important to clarify the rationale to employees. "We weren't wanting them to leave," says Boyles. "We said we'd like for you to stay, but we understand you are going to leave. We want to be able to carry on." That struck a chord with many older workers. "A lot of them are long-term employees. They want to leave a legacy. They want their work to continue." In fact, many had already been asking themselves, "Who's going to replace me?"

That information was the key to a workforce-planning strategy the TVA calls just-in-time replacement. "If we can bring a new person ahead of the attrition," says Boyles, "it's a big benefit to us. Our employees recognize that."

"With a program like this, you could hurt yourself very quickly by using this information incorrectly," he says. Take, for example, the employee who indicated in the survey that he would be retiring in October. Because the TVA knew his plans in advance, it hired a replacement six months ahead of time so that his successor had enough time to learn the job. But when October came, the employee decided he wanted to keep working until December or January. No problem said the TVA. That just meant the soon-to-retiree employee and his or her replacement had a few more months together on the job. But what it also did was send a message: the estimated retirement date will be used for planning purposes only. It will never be used to speed an employee's departure before she is ready to go. "That could damage a program like this," says Boyles, "if we started using such information improperly."

While the estimated retirement date may not be used for individual-level decisions, such as whether to offer an employee training opportunities, it's factored into a workforce planning system that Boyles helped develop. Its database includes anticipated needs, the potential pipeline, and the time it takes to develop replacement employees.

Now that this initiative has been institutionalized, says Boyles, "our employees see that we're using that information to build a pipeline of recruits. The unions see that, too. It's a benefit for everybody.'' Years from now, when the number of retirements drops off, it may longer be necessary to ask.

MANAGING BRAIN DRAIN, OR KNOWLEDGE LOST THROUGH ATTRITION

"The workforce planning process identifies where we need people, and how many. We believe it's manageable if we do the right thing at the right time," says Boyles. But the TVA faced another problem: what to do about all the knowledge that would walk out the door when retirees left. Recalls Boyles, "It seemed like such an overwhelming issue."

While the TVA has been practicing workforce planning for more than a decade, that exercise tends to focus on head count, or what Carey Peters, program manager for performance management, refers to as the "body loss" aspect of attrition. "We also look at brain loss," he says.

In fact, the TVA has developed a formal process for assessing the potential brain drain that could occur through retirements and other employee departures. It calls this rating system "knowledge loss through attrition." And it's designed to counter what Jerry Landon, Senior Consultant at TVA's corporate university, describes as the typical, knee-jerk response to an approaching retirement, which is to say, "If Joe leaves, we either have to clone him or hire him five years ago."

Rather than assuming that all vacant positions should be back-filled, TVA's knowledge-loss exercise is designed to determine how each individual retirement would affect the knowledge capital it takes for the TVA to do its job. The key, Landon emphasizes, is to analyze one job at a time.

Three questions drive the TVA's approach to capturing undocumented knowledge:

1. Specifically, what knowledge is being lost? ("What?")

2. What are the business consequences of losing each item of knowledge? ("So what?)

3. What can we do about each item? ("Now what?")

Specifically, what knowledge is being lost?

The retirement survey enables the TVA to pinpoint which job classifications pose the greatest potential risk of "knowledge attrition." Based on those data, the TVA focused first on a handful of job types with the largest head count and the highest percentage of potential retirements. In the Transmission and Power Supply/Transmission Operations and Maintenance organization where the TVA piloted this process, the jobs with the highest future attrition rates were power maintenance technicians, linemen, electricians, and electrical engineers.

The next step is to determine how critical the knowledge lost through attrition will be in the future. For this, the TVA developed a formula called the "At Risk Assessment" that assesses the retirement factor and the position risk factor to determine overall risk of knowledge attrition. The figure below presents a detailed description about this metric.

The TVA's At-Risk Assessment Establishing Guidelines

Retirement Factor	X	Position Risk Factor	=	Total Attrition Factor

Retirement Factor —The projected retirement dates in the workforce planning system (based upon employee estimates or on age and tenure data):

- 5 - Projected retirement date within 1 year
- 4 - Projected retirement date within 1 to 2 years
- 3 - Projected retirement date within 2 to 3 years
- 2 - Projected retirement date within 3 to 5 years
- 1 - Projected retirement date is > 5 years

Position Risk Factor—Manager's/supervisor's estimate of difficulty or effort required to replace the position incumbent:

- 5 - Critical and unique knowledge and skills. Mission-critical knowledge/skills with the potential for significant reliability or safety impacts. TVA- or site-specific knowledge. Knowledge undocumented. Requires 3-5 years of training and experience. No ready replacements available.
- 4 - Critical knowledge and skills. Mission-critical knowledge/skills. Some limited duplication exists at other plants/sites and/or some documentation exists. Requires 2-4 years of focused training and experience.
- 3 - Important, systematized knowledge and skills. Documentation exists and/or other personnel on-site possess the knowledge/skills. Recruits generally available and can be trained in 1 to 2 years.
- 2 - Proceduralized or non-mission critical knowledge and skills. Clear, up-to-date procedures exist. Training programs are current and effective and can be completed in less than one year.
- 1 - Common knowledge and skills. External hires possessing the knowledge/skill are readily available and require.

Total Attrition Factor—Estimated effort and urgency necessary to effectively manage the attrition.

- (20 and higher) High Priority - Immediate action needed. Specific replacement action plans with due dates will be developed to include: method of replacement, knowledge management assessment, specific training required, on-the-job training/ shadowing with incumbent.
- (16-19 points) Priority - Staffing plans should be established to address method and timing of replacement, recruitment efforts, training, shadowing with current incumbent.
- (10-15 points) High Importance- Look ahead on how the position will be filled/ work will be accomplished. College recruiting, training programs, process improvements, reinvestment.
- (1-9 points) Important - Recognize the functions of the position and determine the replacement need.

The TVA's At-Risk Assessment

The At-Risk Assessment identifies which job classification(s) deserve priority attention. In the pilot, the TPS/TOM management chose to focus their attention on the one with the highest risk factor: Power Maintenance Technicians.

The next step is to interview the incumbents and their supervisors to learn the job's "knowledge content." Since it's important to identify both explicit and implicit (that is, tacit, undocumented) knowledge, the interviews include four kinds of questions:

General questions such as 'What knowledge will the TVA miss most when you leave?" The answers pointed to higher-order kinds of knowledge such as problem analysis and trouble shooting or deep understanding of the idiosyncrasies of a piece of equipment.

Task questions such as how to conduct specific tests or operate certain pieces of equipment.

Fact or information questions focus on what the employee knows and generate lists of contacts, maps, manuals, and other recorded information.

Pattern recognition questions ask about lessons learned and insights about what's likely to go wrong and how to fix it.

Based on these interviews, the TVA compiles a list of potential "knowledge loss items" for the job. The next step is to analyze their importance and decide on the appropriate action to take to manage knowledge loss through attrition.

What are the business consequences of losing each item of knowledge?

This phase of the process focuses on winnowing the long list of knowledge items down to the critical few that truly require action. Again, the screening is based on several questions:

- What is the relative importance of this knowledge?
- What is the relative immediacy of knowledge loss?
- What is the cost and feasibility of recovering this knowledge, if lost?
- How difficult is it to transfer this knowledge?

As a result of theses first two steps, the TVA knows which issues to ignore, which it can correct with minor effort, and which require extraordinary or immediate action, either because that knowledge can be lost rapidly or the organizational consequences would be severe if someone with that specific knowledge suddenly left the organization. The final step is to choose the most effective tactic for capturing or preserving such knowledge and then take action.

What can we do about each item?

The corrective actions for preventing critical knowledge loss through attrition, says Boyles, "vary as much as the kinds of knowledge people have." The following figure shows the variety of approaches the TVA might use. In some cases, it might mean assigning a younger person to shadow the employee who's going to retire, to learn what he knows, or cross-training someone who's currently in a different job. Sometimes, it means writing a white paper to document a procedure that's never been written down. Or perhaps it requires setting up a brown bag lunch twice a week where systems engineers can get together to discuss their work and problem-solve together. Some pieces of knowledge can even be eliminated by engineering them out. If "Old Harry" is the only guy left who knows how to fix some ancient piece of equipment, it may make more sense to replace that equipment than to try to replace Harry's arcane know-how.

TVA's Approach to Knowledge Retention A Limited Number of Responses	
Codification • Documentation & procedures • Checklists, inventories, etc. • Performance support systems	**Engineer It Out** • Process improvement • Update equipment • "Smart" tools and technology • Eliminate task, product or service
Education & Training • Classroom and simulator training • CBT, video-based, and alternative delivery • Coaching and mentoring • OJT and targeted work assignments • Coaching, shadowing and mentoring • Apprenticeship programs • Blended solution	**Alternative Resources** • Agency/site/department expert • Rotational or "visiting" staff • Multi-skilling or cross-training • Contractors, part-timers, retirees • Communities of practice / networks

It's up to the line organization, working with the incumbent and his supervisors, to decide the best way to capture items that have made it to the short list of critical knowledge losses. "They know best," says Boyle. "HR doesn't need to do it." After that, the follow-through is the same as any action plan: gain commitment and approval; staff and fund the project; specify outcomes and timetables for achieving them.

What sort of resources did it take to develop the TVA's solution? Landon estimates that two-to-three line managers shepherded the pilot project through the TPS/TOM organization. In addition, one technical training person and two knowledge management professionals developed the initial design for the process, committing about 500 hours total over nine months' time.

IMPACTS

The results were surprising. Since 1999 when the process was piloted, 4,000 employees have been screened through the process. Just 40 of them, it turned out, were close to retirement (i.e., they had a high Retirement Factor) *and* had such unique knowledge and skills (a high Position Risk Factor) that their departure would pose a significant risk to the TVA (their Total Attrition Factor). In short, despite the looming mass exodus of retirees, knowledge loss through attrition turned out to be, in Landon's words, "not as bad a problem as we thought."

That's not to say that the retiring employees had no knowledge worth saving. But, in many cases, the process helped the TVA identify knowledge back-ups that were already there. Jobs in the nuclear plants, for example, are highly regulated. If you're a unit operator, there are written instructions about who you're supposed to do and how. There's also an operator log you're required to fill out at the end of each shift or whenever any significant event occurs. Because the knowledge required by the operator's job is so explicit, the risk of knowledge loss through attrition is very small.

In other cases, the risk assessment process helped identify someone else in the organization who had the same knowledge as the soon-to-be retiree.

So why even bother calculating knowledge loss through attrition, if only 1-2% of employees are near retirement *and* will take irreplaceable knowledge with them when they walk out the door? It's the potential impact of that 1-2% that makes the exercise worthwhile, Landon argues. If a nuclear plant goes offline, it costs TVA a half-million dollars per day. By identifying the one guy at a plant who knows how to get the facility back up and running, the TVA can saves substantial costs—not just in money, but also in terms of the public and political fallout that goes along with service interruptions.

The TVA hasn't calculated the actual cost-savings that result from managing knowledge loss through attrition. One way to do so, Landon suggests, would be to measure errors *not* made or disasters that *don't* happen after the utility replaces retiring workers. In effect, maintaining a stable error rate might be the goal.

LESSONS LEARNED

1. Keep it simple.

   "Ultimately, this has to be easily implemented at the line level," says Boyles. "If we get too complex, we tend to fail." One essential element of keeping-it-simple is the TVA's focus on managing knowledge loss through attrition *one job at a time*.

2. Managing knowledge loss through attrition is not about building a "big brain."

   Faced with a large wave of retirements and the potentially overwhelming scope of knowledge loss that could result, many organizations might think they needed to build a "big brain" to capture and retain organizational knowledge. The TVA's experience argues otherwise. By homing in on a limited number of high-risk jobs (i.e., those with the highest at-risk scores) and then isolating specific pieces of knowledge whose loss also poses high risks, the TVA reduced the problem to a manageable scope.

3. Don't drag your heels.

   There are many reasons why it's hard to get an organization to pay attention to the aging workforce issue. As Landon observes in a white paper[1] he wrote on the topic,

   "Attrition problems are abnormal events for most large companies. Therefore, no department or function normally owns them. No full-time staff is available to work on them. The budget has no line item to fix them. Further, solutions can be expensive (large training budgets, apprentice programs, and so on.) and the pain is not immediate, which creates a real possibility for starting late.

[1] To request a copy of this white paper, contact Landon at grlandon@tva.gov

"Overcoming the natural inertia for dealing with this type of problem," he concludes, "may be as important as any process for analyzing the problem." Yet the TPS/TOM managers who took part in the pilot wished in retrospect that they'd started earlier.

4. Move from hand-wringing to focused action.

   The TVA was able to overcome this inertia, in part, because the sheer scope of the aging workforce problem was too large and too urgent to ignore. The fact that more than one third of the workforce will be gone in five years is enough to get most managers' attention.

   One of the benefits of calculating a Total Attrition factor is that "it brought some focus to the problem," says Landon. Instead of wringing their hands over the 50 people they're about to lose, now managers can figure out "which are the five they really need to worry about, so they can relax about the other 45."

5. Feed the pipeline.

   "If you look at our history, there was a boom in construction in the 1970s when we were building a lot of nuclear power plants," says Boyles. "We hired this bubble of employees, but then we didn't really do much recruitment in the 90s." The result: "Our average employee age is almost 47. The median age is closer to 48."

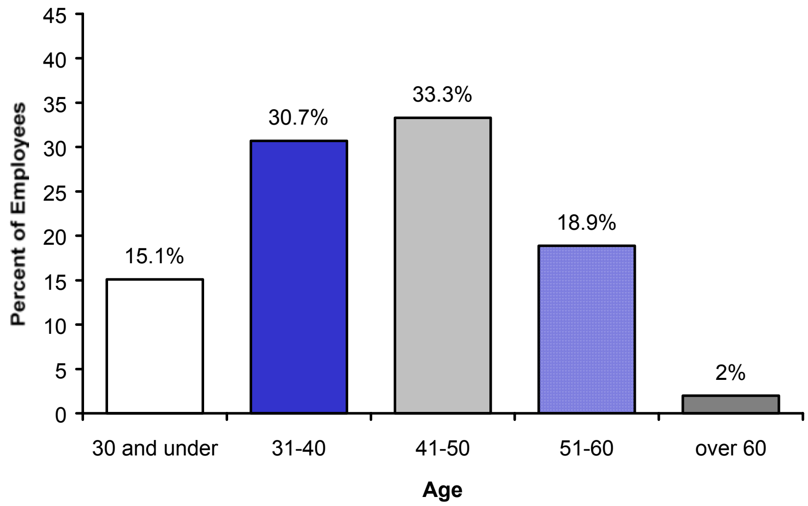
   Not only did the influx of new talent slow to a trickle during the TVA's extended era of downsizing. Training and development—another key factor in building an adequate pipeline—was also cut back. Today's experienced workers had come up at a time when on-the-job training, mentoring and classroom study were more amply supplied. Their replacements simply didn't get the same level of developmental opportunities. In short, Landon concluded after the TPS/TOM pilot, "the system for producing experienced power maintenance technicians had been dismantled and needed to be rebuilt."

   The TVA has learned a lesson, concludes Boyles. "We expect to continue to feed the pipeline on a routine basis so we don't get this bubble again in the future."

City of Phoenix, Arizona

NUMBER OF EMPLOYEES: 14,800

AGE DISTRIBUTION OF WORKFORCE



Average age: 41.8 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

Phoenix has only recently begun to implement workforce planning through a pilot project in its Human Services department. Thus, it is not the city's established track record with workforce planning nor the results such efforts have achieved that warrant mention in this report. Rather, what stood out for us was the hard-hitting policy analysis presented in the city's Workforce Planning Strategy Recommendations. Developed by a committee of 16 city managers, this document goes beyond the basic approach to workforce planning—which we found to be largely consistent across the organizations in our study— to:

- Endorse a "grow your own" approach to staffing hard-to-fill positions
- Identify major obstacles to implementing this strategy
- Recommend a detailed action plan for overcoming those obstacles

The Committee's analysis and recommendations should be of interest to other jurisdictions and even to private sector employers.

ELIGIBILITY CRITERIA FOR RETIREMENT

Employees become eligible for retirement when they reach age 62 or, under the Rule of 80, when their years of service and age combined equal 80.

RETIREMENT PROJECTIONS

As of December 2002, approximately 11% of city's workforce is retirement-eligible, including 36% of its managers. Over the next five years, 24% of the workforce will become eligible to retire, including 56% of all managers.

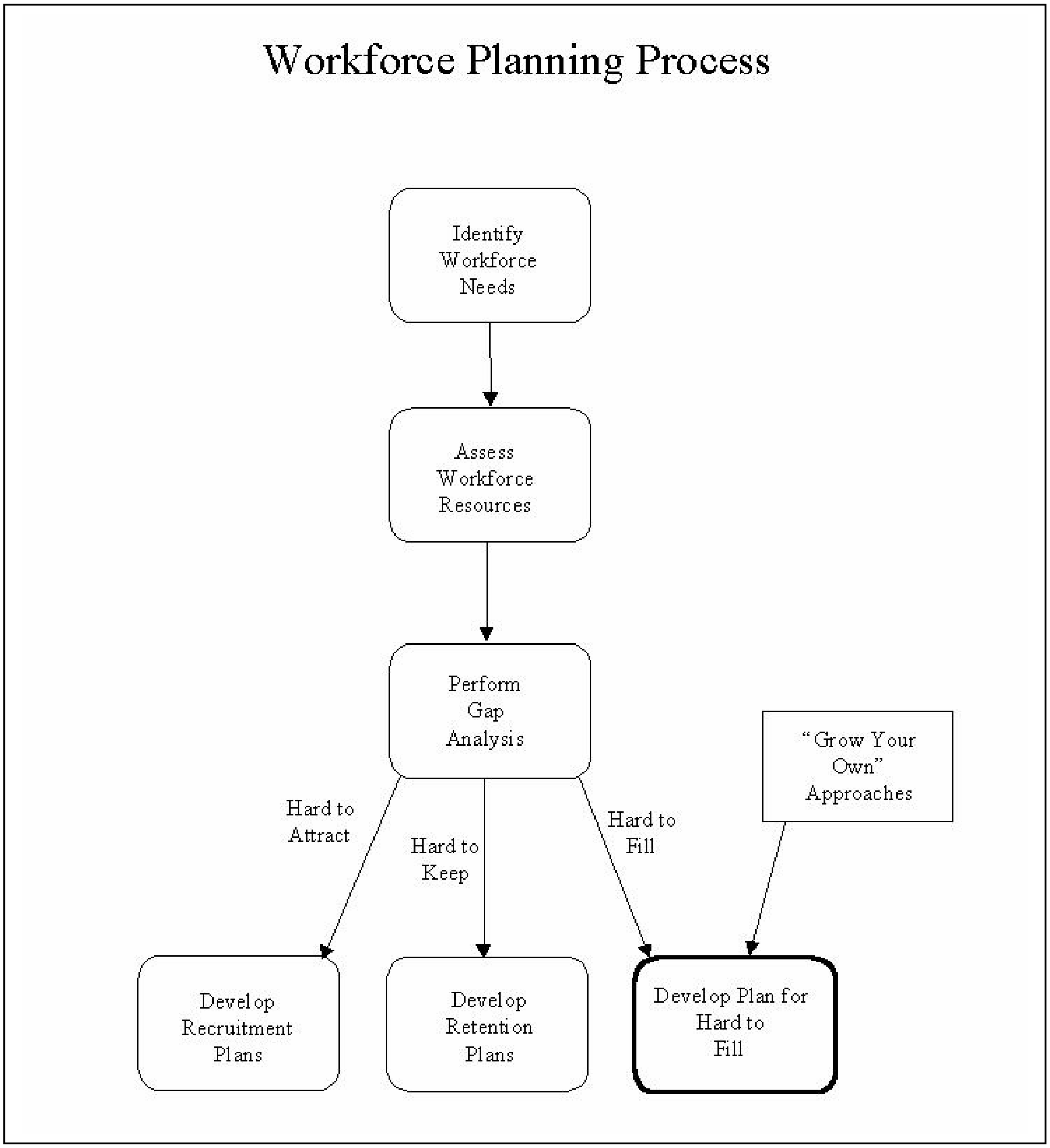
Like jurisdictions at every level of government, Phoenix anticipates a large number of retirements in the coming years. But that awareness was heightened because the city had fairly recently, in 1996, changed its retirement policy from the "Rule of 85" to the "Rule of 80." When they considered the impacts of such a policy change, city analysts had run the numbers to see exactly how many employees would become retirement eligible under each plan, and when. As a result, the looming wave of retirements has been embedded in the city's institutional memory for years.

That awareness, coupled with the growing difficulty of attracting city employees when the private sector economy was booming, prompted the City Manager's office and the Personnel Director to create a Workforce Planning Committee in 2001. Its charge: to develop recommendations for how the city could prepare for the coming wave of retirements and ensure an adequate pipeline of employees prepared to meet future staffing needs.

The Committee's 16 members were middle managers and executives drawn from a cross-section of city departments. The fact that only a handful of HR folks served on the committee was intentional, says Erik Kropp, personnel supervisor for the city. "We wanted to get buy-in."

To develop its workforce planning recommendations, the Committee investigated three sources: the International Personnel Management Association; a group of 10 cities—among them, San Jose, CA; Dallas, Denver and San Antonio— that Phoenix often benchmarks against; and several public utilities in Arizona.

It took the Committee just three months to complete its recommendations, presented in a 20-page report, available by request from erik.kropp@phoenix.gov. The workforce planning process described in the report is standard: Identify future needs. Analyze future supply. Figure out the gap and plan what you can do to close it.



Workforce Planning Model, City of Phoenix, AZ

However, the report goes beyond the standard process in several ways:

As in other examples we profile in this report, Phoenix recognizes the need to choose carefully which positions deserve particular attention. It recommends that workforce planning efforts focus on three kinds of positions: those for which it's hard to attract candidates or hard to keep employees, and those that are hard-to-fill. Each of these categories requires a discrete action plan for closing the gap between projected supply and demand:

- *Hard-to-attract positions* require energetic recruitment plans.
- *Hard-to-keep positions* call for additional retention efforts.
- Positions that are *hard-to-fill*, due to marketplace shortages or very specialized job requirements, can be managed, in part, by developing talent within city government. The Committee calls this a "grow your own" (GYO) strategy.

GROW-YOUR-OWN STRATEGY

The remainder of the report—and the part we found most valuable— lays out a GYO strategy to staff hard-to-fill positions. It entails early identification of promising candidates and developing them so they're ready to take on new responsibilities and eventually be promoted. The strategy includes four initiatives:

1. Recruiting interns from external (i.e., university, technical schools, or career redevelopment) programs

2. Expanding the city's current program to provide promising employees with internship opportunities in other departments or skill areas

3. Establishing a formal mentoring program

4. Developing a cross-training program to give employees rotational assignments, while still performing their regular jobs

Next, in unflinching terms, the Committee identifies obstacles to implementing such a GYO strategy to fill position openings. Because those obstacles are well described and because they are likely to resonate with the challenges that other jurisdictions face, we reproduce this section of the report verbatim on the following page:

Obstacles to Workforce Planning and Grow Your Own Strategies

While workforce planning and "growing your own" strategies are already widely accepted in theory, implementing them in the current City environment is difficult. Throughout the committee's effort, members voiced numerous obstacles they face in implementing these concepts. Three categories of obstacles were identified - process, position, and candidate pool. Each category is discussed in further detail below.

Process Obstacles

For workforce planning to be successful, it needs to be part of management's regular planning activities. However, few departments, if any, actively engage in this process. In addition, most departments lack the necessary understanding of workforce planning techniques to accomplish a meaningful analysis without some kind of expert support and guidance. Similar obstacles present themselves when attempting to deploy the "grow your own" approaches described in this document. No cohesive process exists to place external or internal interns within the City organization. While numerous intern programs exist throughout the community, locating the right one can be challenging. In addition, each program comes with a unique set of rules, requirements and procedures. Departments wishing to utilize these programs are faced with learning how to maneuver through unknown processes. Mentoring is even more hit-and-miss throughout the City, since it is largely left up to the individuals to seek out each other to establish this unique type of relationship. Cross-training across organizational boundaries is an even more daunting task in the current City environment.

Position Obstacles

A critical obstacle to "grow your own" programs is the lack of positions and/or adequate funding dedicated to internships and cross-training activities. Due to the nature of these programs, candidates can take up to a few years to fully develop the skills necessary for promotion. Therefore, funding their salaries is a major budgetary consideration. To overcome this obstacle, departments are faced with underfilling existing regular, full-time positions to offer internships - typically waiting for the incumbent to retire or leave employment. As a consequence, a department will be short a regular position until the intern is fully trained. In addition, a regular employee has to dedicate time to training the intern (and the best trainer is probably gone since the incumbent has most likely already left City employment). This creates an adverse impact on the remainder of the group in picking up the “slack” during the training period. Further exacerbating the issue, employees with a willingness to develop their career by under-filling an open position may be faced with a reduction in pay or benefits.

Because internships are temporary by definition, if the internship does not ultimately result in a promotion, the department must deal with potential "ripple effect."

Finally, current job descriptions are narrowly defined and may restrict, or prevent, the opportunity to train existing employees for career growth. For example, in some positions giving employees additional responsibilities of those at a higher classification can trigger "acting" pay. Other issues arise when two individuals are in the same classification, yet have different responsibilities.

Candidate Pool Obstacles

The committee did not define this obstacle in terms of a shortage of good candidates, but rather the inability to recognize them. The City of Phoenix staff is already comprised of excellent candidates for “grow your own” approaches. Unfortunately, the barriers to matching interested candidates with existing opportunities are numerous. Superior candidates may not be encouraged to pursue internships or cross-training opportunities because they are "too valuable" in their current position. Others are “pigeonholed” in certain positions or career paths, regardless of their efforts to grow and develop outside of them on their own time. Some employees pursue advanced education unbeknownst to managers seeking candidates with similar training. Finally, there is no incentive for supervisors to recommend high performers for new opportunities outside of their span of control, at the risk of losing them. Staff growth opportunities can be perceived as nothing more than the loss of a valued employee.

Source: Reprinted from *Workforce Planning Strategy Recommendations*, March 6, 2002, City of Phoenix, AZ

While acknowledging significant obstacles to implementing a GYO strategy, the Committee also made recommendations for what the city can do to ensure an adequate workforce in the future. (Summarized below, these recommendations are discussed in greater detail in the Committee's report.)

PROCESS RECOMMENDATIONS

1. Initiate a pilot workforce-planning project to validate the approaches, processes, and expert support needed to integrate workforce planning into departmental administrative functions.

2. Develop formal intern, mentoring and job-rotation programs

3. Establish an external intern web portal to give city staff an easy way to locate potential sources of external interns.

POSITION RECOMMENDATIONS

1. Create dedicated intern/cross-training positions

2. Use special provisions (e.g., Y-rating) to allow employees to take advantage of an intern opportunity without reducing their pay.

3. Review and modify job descriptions to allow for cross-training and internships without creating an "out-of-class" work situation.

4. Institute a "gradual retirement" option, enabling a pending retiree to voluntarily work a reduced schedule, thereby making funding available for intern programs. During the gradual-retirement phase, skilled incumbents can work directly with the selected intern or cross-training candidates to smoothly transition responsibilities and expertise. To be successful, such an option must be coordinated with retirement benefit calculations.

CANDIDATE POOL RECOMMENDATIONS

1. Establish a self-registration mechanism and marketing program so current employees pursue career growth via internships, job-share, flexible work schedules, volunteering for unpaid overtime, or other programs.

2. Seek and reward candidate recommendations from employees and supervisors.

3. Track and evaluate self-development to identify employees who are candidates for additional job responsibilities.

4. Establish an academy to prepare both internal and external candidates for the job to which they aspire.

AN ADDITIONAL RECOMMENDATION: ALTERNATIVE WORK SCHEDULES AND JOB SHARE

The Committee also recommended modifying current policies to allow more flexibility regarding alternative work schedules and job-share programs. Such options are seen as important advantages in recruiting and retaining younger (Gen X) workers.

IMPLEMENTATION

Phoenix has chosen not to impose the Committee's workforce planning strategy upon departments. Instead, they are encouraged to implement the recommendations. One reason, explains Kropp, is that a top-down mandate is unlikely to succeed. Better that departments recognize they need workforce planning and then turn to the Personnel Department for processes and tools. The second reason, he adds, is that departments vary so much in size, functions, and, above all, culture. Some are very progressive and have already implemented one or more of the report's recommendations. Other departments are not accustomed to planning when it comes to human resources. And for still others, workforce planning simply isn't a priority.

It's not the aging workforce that's keeping managers awake at night. It's the budget shortfall. Departments have been asked to submit proposals to reduce budgets by 20%. And that, in turn, will exacerbate long-term staffing issues. The City Council recently approved a new severance package for retirement-eligible employees. Its purpose: to provide an extra financial incentive in situations where employee retirements or resignations would prevent a department from having to lay off an employee. Thus, as we found in many jurisdictions, short-term pressures draw attention *away* from long-term workforce issues. In fact, they may even add to future problems such as knowledge management, if seasoned employees leave without passing on their knowledge—or without having someone they can pass it on *to*.

While the city charter allows managers to hire back retirees as consultants, if need be, it also sets limitations:

- They cannot be hired into another full-time position with the city.
- With approval from the City Manager's Office and City Council, they can be hired into authorized temporary hourly-paid positions without employee benefits OR, with City Council approval, hired under a contract for professional services.
- Their rate of pay cannot exceed the maximum established for the classification and should be close to their pay rate at the time of retirement.

Kropp and his city colleagues are mindful of the "headline test." Too much reliance on retiree consultants could make for embarrassing media coverage, as has happened in other jurisdictions, where city managers were excoriated for hiring high-price consultants, promoting double-dipping from government coffers.

PILOT PROJECT

Thus, in keeping with the Committee's recommendations, the city has chosen to begin with a pilot project within its Human Services department, which volunteered to be part of the pilot program. Why had they volunteered? Because one of the department's senior managers had served on the Committee and recognized the link between workforce planning and the strategic planning process.

To implement the city's GYO strategy and overcome employees' perceptions that they're stuck in a career pigeon-hole, the Department of Personnel is:

- Bringing training *to* the Human Services department, to make it more accessible
- Delivering courses designed to increase employees' career mobility within city government— for example, training in interview skills and writing resumes and cover letters
- Providing career counseling
- Planning a panel discussion that will feature employees from various parts of city government discussing their own career paths and the factors that have helped them get ahead

Kropp expects that the city's response to approaching retirements will be "a progression." The grow-your-own approach is catching on in some departments. Others won't be interested until they have a crisis. "It's a change in organizational culture," he says. "That takes time."

It's also an organizational change process. That, too, takes time. Recently a committee decided it was not the right time to move forward with a charter change that would allow employees who job-share to participate in the retirement program. Support was there, but such changes require a public vote and other charter changes were higher priorities. Kropp predicts that the policy will eventually be changed, since extending retirement benefits to job sharers could help the city attract and retain employees.

In the meantime, individual employees can take advantage of new career-building opportunities—such as a citywide mentoring program and more formal job rotations— once they're available, even if their department hasn't gotten on board with the GYO program.

In addition growing its own, the city has undertaken an aggressive effort to attract new talent using a variety of tactics:

- Marketing the city as an employer, rather than simply advertising specific jobs
- Advertising online, on billboards, radio and even grocery bags
- A job list-serve to send weekly updates on new openings
- Online job applications
- Streamlined applications so applicants can submit a resume and cover letter, rather than having to fill out a lengthy training and experience questionnaire.
- An employment outreach program that sends city employees from various departments to schools and neighborhood groups

In addition, the city encourages departments to take a fresh look at the jobs they want to fill, particularly at the middle-management level. Identifying broad skills, rather than specific ones, is fundamental to a GYO staffing strategy. And it's already been proven to work. The director who oversees the city airport came out of community and economic development, rather than aviation. And the Director of Public Works had done a previous stint in the city's Budget and Research Department. Before that, he was Interim Director of the Arts Commission.

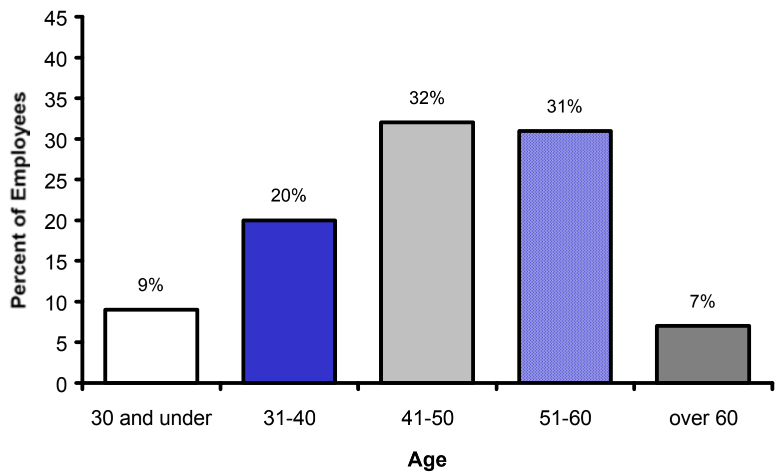
FUTURE CHALLENGES

The Committee concluded its report by raising a policy issue that bedevils workforce planning succession management in many jurisdictions we interviewed: the inability to identify high potential candidates within the employee population and provide them with additional development opportunities. Such practices are commonplace in the private sector. But they are anathema to civil service regulations. In Phoenix's case, the Workforce Planning Committee noted "fairness and equity objectives, legal liability, and the potential perception of discrimination to which the City may be exposed when identifying individuals with high growth potential." Recognizing that it would take executive action, in the form of an Administrative Regulation, to address this issue, the Committee referred the matter to the Personnel Action and Change Committee, a team of five staff members in Personnel created to implement organizational change.

State of Washington

NUMBER OF EMPLOYEES: 44,000 permanent employees

AGE DISTRIBUTION OF WORKFORCE



Average age: 47 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

Washington has:

- Waged a coordinated campaign to build state agencies' understanding of the scope of the aging workforce challenge and their commitment to "aggressive" and continuous workforce planning
- Revised state law to allow retirees to return to work for the state
- Automated the application process for many key jobs to accelerate time-to-hire
- Begun a broad redesign of the personnel system including reforming civil service, authorizing unions to negotiate compensation and benefits, and allowing agencies to "contract out"

Not only is the state's workforce relatively senior; it is older than its private-sector counterpart. In 2000, more than 50% of Washington state government employees were age 45 and older, compared to 35% of the state's general workforce.

ELIGIBILITY CRITERIA FOR RETIREMENT

There are currently two versions of the State Public Retirement System (PERS). Under PERS 1, employees hired before October 1, 1977 reach normal retirement age at 60, or at age 55 with 25 years of service, or at any age with 30 years of service.

Employees hired after that date are covered under PERS2. Normal retirement for everyone is age 65, regardless of years of service. Under this system, employees can qualify for reduced early retirement if they are 55 and have 20 years of service.

RETIREMENT PROJECTIONS

Within the next five years, 23% of state workers will be eligible for retirement.

More than 50% of executive level and 30% of mid-level managers will be eligible to retire by 2005.

WORKFORCE PLANNING

Bob Hahn, Washington's Manager of Recruitment, Selection and Assessment, describes the state's approach as "aggressive workforce planning." Given the intense talent wars that raged across the region in the late 1990s, an aggressive response was definitely in order. "The economy was really hot then," he recalls. "It was going bonkers." Veteran state workers were leaving as soon as they were eligible for retirement, if not sooner, to take high-paying jobs in the private sector. "It was chaotic. We were all struggling to replace key people who were leaving."

Since Hahn's department is responsible for the state's recruitment process, it saw more clearly than most the pitfalls of merely reacting to turnover and retirements as they occurred. "It was becoming more and more of an emergency," he recalls. "We needed to put more time and effort into a proactive planning process." Thus Washington's Department of Personnel (DOP) became an advocate for workforce planning. Its role was "to show leadership, make this a key issue, serve as a resource, and provide tools."

Hahn likens the aging workforce to an earlier staffing crisis, back in the early 90s, when state IT workers were defecting in droves to the Northwest's thriving high-tech industry. "Critical IT staff were severely depleted and agencies were subjected to much turnover-related churning," he recalls. To mobilize a statewide response, "we first had to get managers to understand what was going on—not just in Washington but in the US and the *world*. We had to put it in context, depersonalize it, so it wasn't just 'Woe is me.''' Once they realized they weren't alone in grappling with the IT talent shortage, agencies were ready to take the next step: deciding what to do about it, acting together. "That was the beginning of a team approach," says Hahn.

Just as they'd done in dealing with the IT staffing crisis, DOP decided they needed to build an understanding of the larger aging-and-retirement issues that were beginning to impact individual agencies. Recalls Hahn, "We started with the demographics."

In 1999, it created an inter-agency task force to investigate the scope of Washington's aging workforce issue and to learn what other public and private sector employers were doing to deal with similar challenges. Their report, *Impact of Aging Trends on the Washington State Government Workforce*, was published in June 2000. Available at http://hr.dop.wa.gov/workforceplanning/index.htm, it presents an overview of national demographic trends, retirement and labor force projections for Washington State, strategies for dealing with the aging workforce, and recommendations for what Washington should do. Even the executive summary, offered on the same site as a stand-alone document, musters a powerful argument. Its crisp design, persuasive statistics, and bulleted recommendations could be a model for other jurisdictions that need to educate legislators as well as state agencies about the impacts of the aging workforce.

When they saw the numbers, everyone agreed there was a problem. But within the state, there was "a bit of a knowledge void" about how to deal with it, says Hahn, "Workforce planning is a new enough area that there weren't many agencies that were experts." So instead of looking for best practices, DOP began to explore the issues within its own organization, which had the second-highest retirement projections in state government. Together, they developed a draft version of a workforce planning process. Then they put it on their website and invited other agencies' HR staff and management teams to critique it.

Once the model had been tested and refined, DOP developed a full-blown workforce planning website. There, users can download the state's workforce planning guide (http://hr.dop.wa.gov/workforceplanning/index.htm), workforce statistics from the DOP HR Data Warehouse, and tools for forecasting future workforce demand, projecting supply, and analyzing gaps. Hahn's office also provides training and consulting on workforce planning to state offices.

Persuading agencies they needed to take a more proactive approach wasn't difficult, he says. If workforce planning has met an obstacle, it's that some agencies don't make time to do it. But *not* planning can also be costly, as the late 90s showed. "It's definitely a pay-me-now or pay-me-later situation," he says.

That was how Washington got its start in workforce planning, back in the high-flying late 90s. Now flash forward to 2002: The dot-com economy has tanked. Boeing has moved its headquarters from Seattle to Chicago. September 11th has cast its lingering chill. And suddenly Washington has *the highest unemployment rate in the nation*.

Today, fewer state employees are bolting to the private sector as soon as they're eligible to retire. Suddenly, working for the state is looking more attractive. "We do offer stability," notes Hahn. "And we'll be in business indefinitely." With health insurance costs increasing, employees may decide to postpone retirement. Those factors combined with the changing economy have "taken the edge off," he says, "but we still need to do workforce planning. People were stung badly enough that they believe those times will be here again."

By the time the economy recovers, the state hopes to have fixed much of what was broken about its HR practices. "We'll have captured the things that will have the biggest impact on our recruitment and on government," says Hahn. "We'll be positioned to grab the best talent in *any* market—buyer's or seller's."

Some of Washington's other initiatives to ensure it has an adequate state workforce are described below.

CHANGING STATE RETIREMENT SYSTEM LAWS

Washington has liberalized its policy in regard to rehiring retirees. In the past, a retiree had to wait two years before accepting any other state employment. Even then, she or he could work only a very limited number of hours. In effect, said Hahn, the state job market was closed to its own retirees, leaving those who wanted a job little alternative but to work in the private sector.

Effective July 1, 2001, the Legislature reduced the post-retirement waiting period to just 30 days. It also raised the ceiling on how long state retirees' can work up to 1,500 hours—our nine continuous months per year. DOP is developing a pool of retirees who are willing to come back to work if their skills are needed. Agency heads will be able to mine a database to look for retirees with specific competencies and skills.

AUTOMATING THE HIRING SYSTEM

"For a long time, we've known our hiring system was cumbersome," says Hahn. In its defense, Washington's DOP handles a staggering volume and variety of vacancies—from egg inspectors to nuclear engineers, from custodians to nurses. That, in turn, requires an elaborate centralized system. But that also makes it slow and cumbersome. As a result, applicants are discouraged and agencies are frustrated when they need to hire replacements in a hurry.

Washington is now converting from hard-copy applications and a manual screening process to a fully automated one. Initially, the state looked at software from an outside vendor but was disappointed in what the market had to offer. Instead, it built its own system, which it began rolling out in fall 2001. Using the automated system, applicants fill out an application online, take the qualifying exam, hit enter, and immediately receive their score. Within four hours, they're on the system—not only for that job, but for any other relevant vacancy in state government.

Of the 1,300-1,400 job classes in the Washington system, the state has so far automated the application process for 110 of the most competitive, such as IT, finance, clerical and nursing jobs. Now recruiters in these fields can go to job fairs, meet candidates, coach them through the streamlined process, and get them on the applicant list immediately. The new system, says Hahn, "enables us to recruit-to-hire *right now* versus recruit-to-hire six months from now."

FUTURE CHALLENGES

In its 2002 session, Washington State Legislature passed The Personnel System Reform Act, a bill that, in Hahn's words, "could completely change our system" of staffing. The legislation has three components (for additional information, go to http://hr.dop.wa.gov/hrreform)

1. Civil service reform
2. Collective bargaining
3. Contracting out

Civil Service Reform

The DOP will have the authority to redesign the 40-year old civil service system, including the rules and processes for hiring, classification and compensation, performance management, training, corrective and disciplinary action, leaves and reduction-in-force. The state's current job classifications will be reviewed and reduced to a smaller number, giving agencies greater flexibility in personnel decisions such as compensation, promotions and job mobility. The new system will apply to *all* employees who are not covered by collective bargaining and, in part, to those who are. Says Hahn, "It will still be a civil service system, but it will look different from our present system or any other."

Collective bargaining

For the first time, unions will be able to negotiate with the state on wages and benefits for their members. In the past, unions negotiated individually with agencies, which resulted in inconsistent employment standards that were covered by more than 100 separate contracts. Under the new law, unions will negotiate a single "master agreement" covering all bargaining units.

Contracting out

Agencies will be authorized to contract out work traditionally done by state employees if doing so will produce documented cost-savings to the state. Through the new bidding process, employee groups will be able to compete with private-sectors vendors to win contracts for state jobs.

As Hahn travels from agency to agency making presentations on civil service reform, the topic his audiences want most to discuss is contracting-out. It's by far the most controversial change. And it's also one that the unions may yet seek to negotiate.

The authority to contract-out certain jobs "puts a whole new twist on workforce planning," says Hahn. Whether managers choose to exercise this new option, and where and how they do so, will be interesting to watch as the flurry of retirements begins and continues over the coming decade. Will they replace departing employees, or is this a perfect opportunity to experiment with RFPs? Some managers, Hahn expects, will come to look at workforce planning differently. They'll focus more selectively on recruiting, hiring, developing and retaining a smaller number of occupations and employees.

Taken together, these changes present Washington with what Hahn sees as "a remarkable opportunity. It's not uncommon for a state to implement any one of these changes. But to have all three of them passed simultaneously" is unprecedented. At a time when Washington, like other jurisdictions, is steeling itself for a wave of retirements, the state's new personnel system should be a lot more agile. And greater flexibility should, in turn, be an advantage as Washington prepares to meet the new challenges.

LESSONS LEARNED

1. Workforce planning must continue—no matter what.

   "We'll continue to see cycles in the economy and the focus of workforce planning will shift," says Hahn, "but it's something you always have to be involved in. You can't do it once and stop. It's an ongoing process to stay ahead of the curve. We can't grow talent overnight."

2. The power of data.

   Like other employers in our study, Washington has a winning strategy for mounting a coordinated response to workforce challenges, whether it's a talent shortage in one field or across the board. Not only do the numbers drive home the scope of the issue. They also mobilize people around a common problem, moving them from woe-is-me to woe-is-us-*so-let's-do-something*.

3. Agility of employment system.

   "It's all about the system being easy," says Hahn. It's difficult for state government to compete for the best talent in any labor market—especially a seller's market—when the economy is booming. To increase the attractiveness of state employment the application and competition process must be as rapid and reasonably painless as possible."

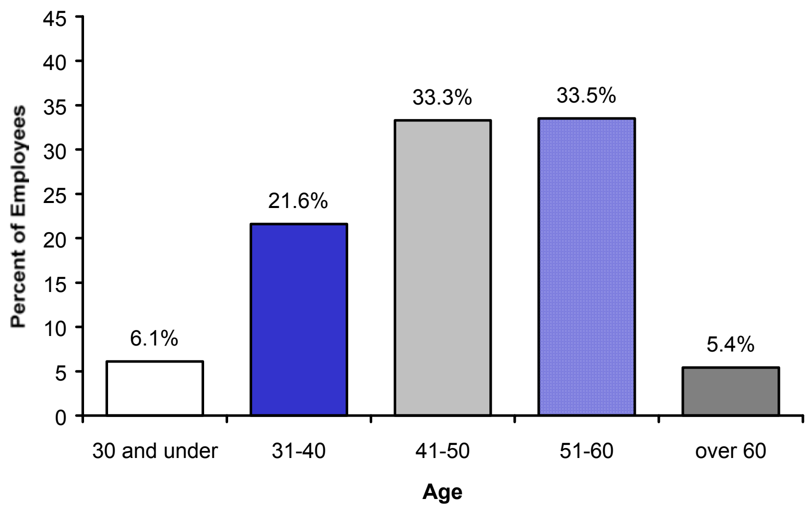
RESOURCES

Washington's Workforce Planning website: http://hr.dop.wa.gov/workforceplanning/index.htm

State of Pennsylvania

NUMBER OF EMPLOYEES: 80,000

AGE DISTRIBUTION OF WORKFORCE



Average age: 42 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

One might expect that the more retirements an organization faces, the bigger its workforce planning effort ought to be. But that's not what this state has done. Instead, it has chosen a more targeted approach.

Rather than responding to the total number of retirements, Pennsylvania

- Looks at average age and age distribution at the occupational-group level, rather than focusing on the state-wide numbers
- Uses a "Retirement Probability Factor" to gauge which occupational groups will be most affected, and when
- Focuses on occupations where it's most difficult to hire and/or train replacements
- Conducts workforce planning at the most appropriate level, either the agency or governor's office
- Tailors recruitment and retention initiatives to specific occupational groups

Pennsylvania's state workforce has grown and contracted over the past 40 years: from about 65,000 employees in the mid-1960s to 110,000 a decade later. Since then, it has slowly scaled back to its current level of 80,000, primarily by laying-off younger workers, closing unneeded facilities, or not filling vacancies because those positions had been frozen or eliminated. That's what led to "the bulge in our age curve, all moving toward the cliff at the same time," says Art Duprat, director of the Bureau of HR Management and Policy. Behind that bulge, there's a deep dip in the number of next-generation state employees. "We created our own problems by hiring a whole lot of people about the same age in the same period," Duprat says. "We never want that to happen again."

ELIGIBILITY CRITERIA FOR RETIREMENT

Full retirement: Currently 35 years of service or age 60; proposed legislation would lower that, either temporarily or permanently, to 30 years of service. For much of the 1990s the state legislature enacted "windows" that allowed full retirement at 30 years of service.

RETIREMENT PROJECTIONS

At present, 17% of the workforce are eligible for retirement based on age, and 7.4% are eligible based on years of service. However, the latter figure will increase dramatically if the new Legislature reduces the years-of-service criterion for retirement eligibility from 35 to 30 years.

In that case, Pennsylvania will see a precipitous rise in state employee retirements. But Duprat is resolute about the best way to address that challenge. "After you identify that you're about to hit the iceberg, what do you do?" he asks. "We roll up our sleeves, get out there and try to resteer the ship. What we *don't* do is write a big plan."

To avoid the need for a big plan, Duprat prefers to look at age and retirement figures for specific job classes, rather than for the workforce as a whole. "The average age is dramatically different from one occupation to another," he says. That's why looking only at the workforce level masks specific jobs where the age distribution may be a more serious problem."

WORKFORCE PLANNING

The severity of Pennsylvania's retirement bulge —and exactly when it will occur—remain somewhat up in the air. Not until the new legislature convenes and votes on the proposed, five-year drop in the retirement age for state workers will workforce planners have a clear idea what lies ahead. If the legislation passes, as it has in the past (to be reversed again later), "in one day, everyone with between 30 and 35 years of service will be eligible to retire," says Duprat.

If history repeats itself Pennsylvania will face both the opportunities and problems associated with sudden, heavy retirements. In an era where state governments, Pennsylvania included, are running budget deficits, retirements can create a relatively painless way to reduce staff costs. The problem, of course, is that they also can decimate key government program areas. Pennsylvania has experienced both of these scenarios.

How much impact could a sudden wave of retirements have? Answering that question has become a lot easier since the Bureau of HR Management and Policy adapted a "retirement probability factor," that was developed in the HR office of Pennsylvania's Labor and Industry Department. By analyzing previous behavior patterns—mined from the state personnel database—this tool predicts the likelihood that workers in specific occupational groups will retire immediately, once they become eligible. Teachers, nurses, and engineers have a retirement probability factor approaching 100%—in large part, because their skills often make it easy for them to find another job in the private sector, while collecting state retirement benefits. Other groups such as purchasing agents, HR personnel and fiscal assistants, have historically stayed on longer after they were entitled to go, so their retirement probability factor is closer to 50% .

CALCULATING THE RETIREMENT PROBABILITY FACTOR

Based on ten years of state personnel history, Pennsylvania calculates the percentage of employees in each job classification who retired as soon as they became eligible. That percentage becomes the multiplication factor for predicting the likelihood of such retirements in the future. The state also calculates, by job classification, the retirement probability factor one, two, and three years after employees reach retirement eligibility.

Since most retirees are covered under a defined benefit pension plan, fluctuations in the economy have little impact on their decision. What does matter are age-related events: At 59.5 years, they can withdraw money from a deferred compensation account without paying a penalty. At age 62, they qualify for Social Security.

What the retirement probability factor *doesn't* account for are what Duprat calls "seat-of-your-pants factors"— unique or unexpected developments that sometimes come into play. For example, if an agency has to downsize, more employees may decide to retire once they're eligible to save someone else from getting laid-off. So far, Pennsylvania's doesn't try to build such surprise developments into the model.

The retirement probability factor's ultimate benefit is that it tells state workforce planners "whether the numbers that are scaring us are *real* or not," explains Duprat. That, in turn, enables them to take selective action in the most critical areas, rather than "putting out big, inch-thick plans" for the entire workforce.

CHOOSING WHERE TO TARGET EFFORTS

The retirement probability factor is one criterion for deciding which anticipated vacancies deserve immediate action. Another is how difficult it will be to hire and/or train replacements. "We don't waste time on areas that can take care of themselves," he says. For jobs such as game conservation specialist and forester, "we have civil service lists coming out of our ears. *Thousands* of people who want to do those jobs." While those jobs are critical, they have ready replacements.

But it's a different story for accountants, nurses and engineers, fields where highly qualified candidates are harder to come by. "If we lost a lot of people in those occupations," he says, "we'd be in bad shape." That's where the state focuses its workforce planing efforts, therefore: on areas where the departure of key workers would put the delivery of government services at risk.

To determine what those target areas should be, the governor's office and agency HR offices consult with agency heads and program managers. How will your work change over the next two to five years? And how will that impact staffing needs? Today, there are about 300 purchasing agents working across the state. Fewer may be needed once many purchasing activities are migrated to the state's new ERP. The fact that about 100 purchasing agents will be retiring in the next few years may be a "a gift," therefore, since it will painlessly reduce headcount in an occupation that may need trimming. "Every occupation has different challenges," Duprat concludes. Since the demand for some will increase in the future but remain static or shrink for others, Pennsylvania's Bureau of HR Management and Policy does its best to avoid discussing retirement figures for state government as a whole. Instead, it prefers to highlight retirements and critical replacement needs by occupation or specific program area.

Deciding which jobs merit special initiatives to ensure they will be adequately staffed is one way Pennsylvania has narrowed the scope of workforce planning, taking it from a global activity to a more selective one. Another way is by divvying up responsibility for workforce planning, when it makes sense to do so. When all the jobs in a given category—take, for example, intake interviewers who work for the state's Employment Offices— fall under the same agency, that's where workforce planning should get done. In that case, the governor's office provides the tools and training and the agency's workforce planning liaison reports back on progress. But for occupational groups that span a number of agencies, it makes sense for the governor's office to do workforce planning because no single department has the big picture or all the information.

These two approaches—first, focusing only on occupations that are hard-to-fill, hard-to-train-for or likely to become higher in demand and, second, assigning responsibility in some cases to the agency rather than the state's central governor's office — help tame the potential behemoth of workforce planning. Pennsylvania's aversion to big plans and one-size-fits-all solutions is also evident in how it goes about closing the gap between projected supply and demand. Retention, training and recruitment efforts are tailored to fit the idiosyncratic profile of each occupational group. For nurses, where the retirement probability factor is high, the state has introduced more flexible scheduling and job assignments along with pay incentives to induce nurses to stick around. To encourage engineers to remain on the job rather than retiring, it offers them career-enhancement opportunities— to attend national conferences, take on special assignments, or write for professional publications, as well as an opportunity for a stipend upon becoming certified. In HR, where employees are more likely to stay even after they're eligible for retirement, there's still time to develop the next generation. For these jobs, the state can hire junior people in a structured one-year training program and give them the chance to learn under the wings of the veterans.

For engineers and other under-staffed occupations, the state has also relaxed the restrictions on hiring "annuitants"—retirees who can work up to 95 days per year delivering critical services. Today, there are retired bridge designers who have returned to work. In part, their job is to continue designing bridges. But it is also to mentor and train newer staff so that the knowledge they've acquired over their careers is passed on.

How does the state know which incentives and rewards will have the greatest impact on recruiting and retaining people in specific occupations? Again, it's by consulting with the relevant agencies to determine which factors are likely to have the greatest impact on hiring and turnover.

On Duprat's staff, only three individuals focus on workforce planning. Workforce planning makes up about 50% of one person's job and less than one third of the other two people's. Duprat estimates it accounts for less than 10% of his own time. Up until now, his group has used a legacy computer system and home-built analytics to do statistical analysis of historical patterns. The state's new SAP implementation will cost $65,000,000, but it covers finance, purchasing, and budgeting as well as HR. "Workforce planning is just a toothpick among the redwoods in terms of the amount of work that's going into it."

HOW PENNSYLVANIA GOT STARTED IN WORKFORCE PLANNING

Pennsylvania's start in workforce planning came several years ago, when the state decided to outsource its data center. About 500 jobs initially were thought to be eliminated within a year. In the past, the state would have waited until a month before the closing and sent out a flurry of furlough notices. This time, the governor's office staff sat down with union and management, a full year before the projected closing, to work out alternative employment options. Each employee whose job was about to disappear was given the chance to be trained for another job—for example, working on new platforms such as SAP or on Oracle-based database management. The result? *No one* was laid off. More than half received promotions, while about 20% decided to retire. That was how Pennsylvania got started in workforce planning.

Within HR, the approaching wave of retirements hit close to home. "All you have to do is go into a room of HR people and look around," says Duprat. "As an occupation, we're in big trouble." In fact, 418 of the state's 1,034 HR professionals will become retirement-eligible if the new 30-and-out rule passes. And because their jobs are unevenly distributed throughout state government, some agencies could lose all or most of their HR staff at the same time.

Seeing what the age wave, combined with a lower retirement age, could do to their own ranks helped make workforce planning a priority for agency HR directors. "That wouldn't have been the case two-to-three years ago," says Duprat.

Yet in order to implement workforce planning, Pennsylvania has had to grapple with an array of issues familiar to most state governments:

- *Union contracts*. Seniority clauses can be a hindrance in preparing for anticipated labor shortages. Most union contracts require that workers with the most seniority be given preference in hiring decisions. Yet these employees are also the most likely to retire, making them a less desirable choice in the longer term. What's more, these senior people may not even want a promotion. One compromise that Pennsylvania could adopt would be to "overdevelop"—that is, to prepare a number of people so they can fill future openings, rather than just those who have seniority. "We're realistic," says Duprat. "We don't expect to get rid of seniority."
- *Civil service regulations.* In occupations where the existing talent pool is thin, the state has negotiated the right to broaden minimum hiring qualifications. Rather than requiring an accounting degree, for example, it has established alternative qualifications, such as experience doing a "feeder" job that provides intensive training.
- *Potential changes to the state retirement plan*. Because it's anybody's guess whether the current 35-year rule for retirement eligibility will stay or go, the state has to operate with two sets of plans for ensuring an adequate workforce. Until then, says Duprat, "We have to be agile enough to move to either one of them."
- *Shifting political priorities.* Because new agency heads are often appointed following an election, HR directors have been building support for workforce planning among the program directors who work several levels below the top executive. Unlike appointees, they're in it for the long haul. "Even if they're about to retire, they have a long-term commitment to ensuring the future success of their program."

ASSESSING THE BENEFITS OF WORKFORCE PLANNING

The driving force for doing workforce planning isn't cost savings, says Duprat. It's preserving continuity of services to the public. "As a public employer, we have an obligation to provide services to our citizens. We don't want that interrupted by the loss of employees.

"Cost-saving is not our main focus," he continues. "But when you're trying to assess the impacts of reengineering, downsizing, or reshaping your organization to tighten your belt, workforce planning allows you to play out different scenarios" such as changes to the retirement system. It's a helpful tool in budget planning, but we haven't put a dollar value on it.

CHALLENGES STILL AHEAD

Pennsylvania is now attempting what it believes no other state has done so far: to implement five areas of ERP within one year. Already, the budget, procurement, and accounting areas have gone live; HR and payroll are next. By the time the state's SAP implementation is completed in January 2004, its workforce planning capacity will be ratcheted up to a new level. Core HR processes such as hiring, job classification, compensation and benefits will be fully integrated with value-added areas including training, individual performance plans and performance evaluation.

The new system will track every employee's skills and training, so the state can compare them with those needed to fill anticipated vacancies. Once Pennsylvania has the ability to conduct this kind of macro-level gap analysis, it will also know exactly which kinds of developmental activities it must provide to ensure an adequate pipeline for the future.

By 2004, the state will begin using the new system to develop a succession pool for selected leadership positions where the current replacement pool seems shallow. Employees one level down will be invited to become part of the pool. Those who accept will get an assessment and learn about their own readiness gaps. They can also request additional developmental opportunities such as training, a mentor, or rotational assignments that will give them the chance to learn by doing, rather than simply by classroom training.

LESSONS LEARNED

Duprat offers the following lessons from experience:

1. Keep the scope of workforce planning manageable in size.

2. Focus on high impact areas.

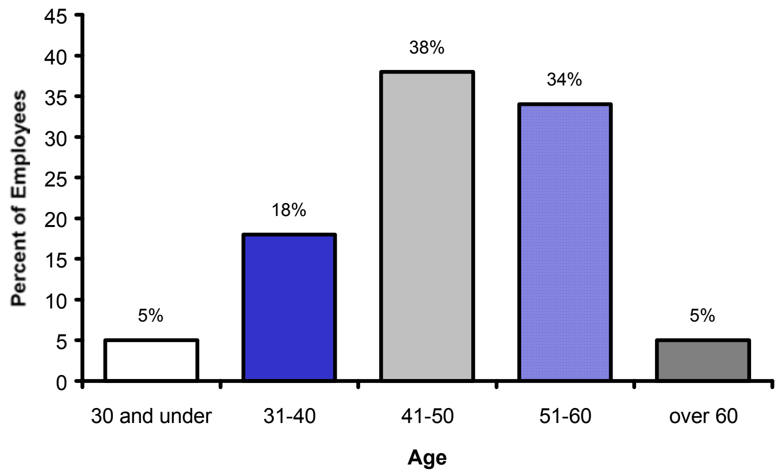
3. Gain buy-in from agencies, including the HR community and agency managers.

4. Show results by not just projecting problems, but developing and implementing solutions.

Air Force Materiel Command (Civilian Workforce)

NUMBER OF EMPLOYEES: 65,000 civilians, representing 70% of the total AFMC workforce.

AGE DISTRIBUTION OF WORKFORCE



Average age: 47.1 years

INNOVATIVE EFFORTS/PROMISING PRACTICES

The AFMC's plan for dealing with projected civilian retirements is notable for several reasons:

- The sheer scope of the workforce challenges the AFMC faces
- The rapid development of the Command's Work Force [sic] Shaping campaign since 2000
- The multiple levels of government—from the AFMC Commander, to the Air Force, to the Department of Defense, to the Office of Personnel Management, to the Congress and the President—whose decision-making authority impacts what the AFMC can and cannot do to execute its strategic workforce plan

Mission:

To develop, acquire and sustain air and space power needed to defend the United States and its interests ... today and tomorrow. Headquartered at Wright-Patterson Air Force Base, Ohio, AFMC was created July 1, 1992 through the reorganization of Air Force Logistics Command and Air Force Systems Command. Today, its operating budget represents 57% of the total Air Force budget.

ELIGIBILITY CRITERIA FOR RETIREMENT

Employees covered by the Civil Service Retirement System may take "Optional" (i.e., regular) retirement at age 55 with 30 years of service, age 60 with 20 years, or age 62 with 5 years. They may take early retirement at any age after 25 years of service or at age 50 with 20 years.

Employees hired from 1985 on are covered under the Federal Employees Retirement System (FERS). To qualify for full retirement, an employee must reach his or her minimum retirement age (which ranges from 55 for those born before 1948 up to 57 for employees born after 1969) and have 10 years of service.

RETIREMENT PROJECTIONS

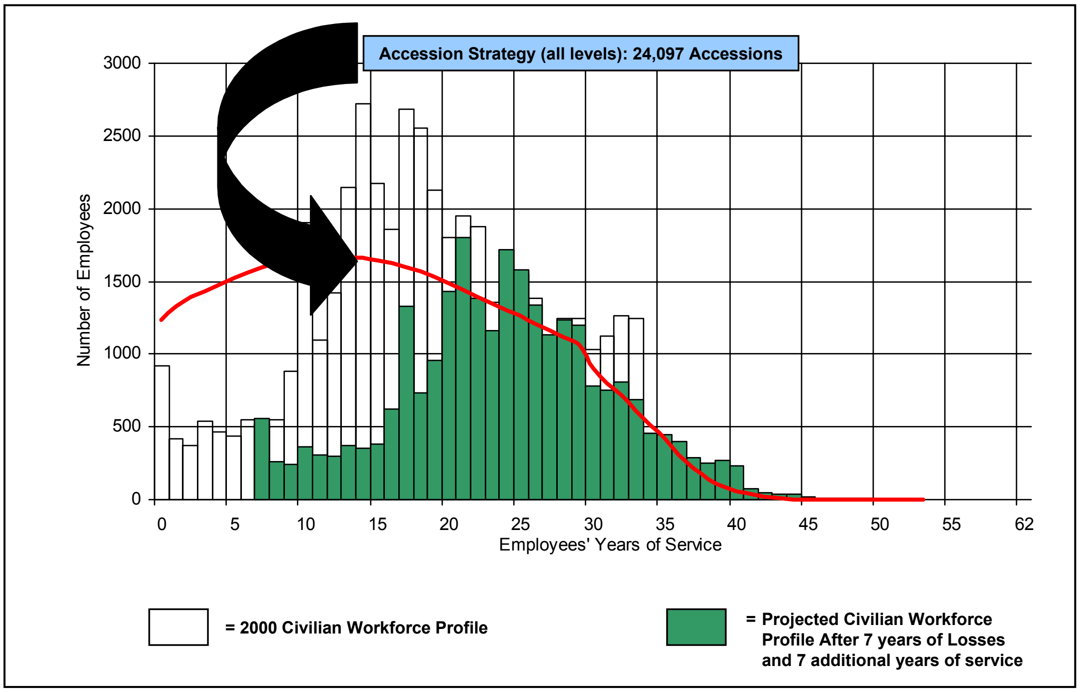
Over the next five years, 40% will be eligible for optional retirement and 67% will be eligible for *either* early or optional retirement. For managers and supervisors, it's even higher: By the end of FY 07, 55% will become eligible for optional retirement and 84% for early or optional retirement. Air-Force-wide, approximately 33% retire the year they become eligible and 80% within five years.

HISTORICAL FACTORS THAT INFLUENCED THE CURRENT CIVILIAN WORKFORCE

A decade of downsizing

Prior to 1989, AFMC had an average attrition rate of 6% annually. That means that nearly one-third of the civilian workforce was replenished every five years, a replacement rate than provided a continuous infusion of new people and skills. Then in 1989, the Department of Defense began a severe downsizing that ultimately reduced AFMC's civilian headcount by 51%. When vacancies occurred, either they remained unfilled or staff whose jobs were being eliminated moved into them. While this tactic served the goal of downsizing, it meant the AFMC was not bringing in any new blood—a critical shortcoming, particularly in technical areas such as engineering, science and information technology. The decade that thinned the ranks and shut down the pipeline brought AFMC staffing to what General Les Lyles, Commander, AFMC, described in 2000 as a potential "train wreck."

The challenges of an aging workforce are particularly acute for the AFMC, since it depends on hard-to-recruit scientific and technical skills to maintain the country's strategic aerospace advantage. "Technology is critical to this command," says Polly Sweet, chief of personnel management and work force shaping for the AFMC. A technology-based organization needs a steady stream of new talent to ensure it stays ahead of new developments. That requirement coupled with cost issues means the Air Force ideally aims to have about 30% of its workforce with no more than 10 years tenure. Today that segment is under 17%.



AFMC's Strategy to Replenish the Workforce

- The white bars show the profile of the AFMC's civilian workforce, circa 2000, in years of service.
- The shaded bars show what the years-of-service profile would look like seven years from now, after anticipated losses (including resignations, retirements, death and disability).
- The solid line shows the AFMC's "accession" (hiring) strategy to replenish its civilian workforce with employees at various levels of experience over the next seven years.

The decade-long "draw-down" and the dearth of new hiring are not the only reasons AFMC's civilian workforce is weighted toward the high end of the age distribution curve. Other factors also contribute.

Personnel practices that hamper the AFMC's ability to compete for technical talent

The labor pool of science and technical workers falls far short of the number needed throughout the US. But the military is particularly disadvantaged when it comes to competing for talent, since it offers lower pay, slower promotional opportunities and fewer performance incentives than private sector employers. Rigid compensation systems make it difficult to reward exemplary employees. Glacial recruitment and hiring processes may mean that other employers beat-out the military in landing top talent. Finally, while the dwindling number of Americans enrolled in science and engineering programs has been supplemented by international students, the military—unlike private sector employers—can't recruit those graduates, which further limits its potential talent pool.

In 1998, Lyle's predecessor, General George T. Babbit, commissioned a massive study to assess how the preceding decade's hiring freeze and the aging workforce were likely to impact the AFMC. Published in April 2000, *Sustaining the Sword* presented the study's findings: By the end of 2007, the AFMC would need to make 26,000 new hires.

In response to *Sustaining the Sword*, the AFMC launched a comprehensive plan for meeting future staffing needs through "Work Force [sic] Shaping."

Given the scope of the AFMC's human capital crisis and its military culture, it is not surprising that its approach to future staffing needs reads like a strategic battle plan. Sweet and her troops are waging this campaign on multiple fronts and are deploying an array of weapons. What's most striking about this campaign is not so much the novelty of any one effort, since many are familiar approaches that some employers have used all along. (See description below.) What makes the AFMC's plan notable is three things:

1. *The sheer scope of the workforce challenges the AFMC is up against*. More than 60% of its civilian workforce is ready to retire, or close to it. Twenty-six thousand new hires will be needed, many in fields where the Air Force would hardly be considered "Employer of Choice."

2. *Rapid deployment.* Prior to 2000, virtually none of the elements of work force shaping were in place, since the entire Department of Defense had been in a long-term pattern of letting people go, rather than hanging onto them or hiring new ones. For an organization *this* large, *this* hobbled by bureaucratic red tape, to respond *this* quickly, is impressive. It's a feat not lost on the General Accounting Office in Washington, which has held up the AFMC's force-shaping efforts as a poster child for the rest of the federal government.

3. *Multiple authorities*. Marshalling support for the massive changes needed to accomplish that wasn't difficult within the Air Force, says Sweet. The fact that the AFMC accounts for more than half the total Air Force budget and 40% of its civilian workforce makes the Command a high priority. The case for immediate action was supported by compelling workforce projections presented in *Sustaining the Sword*. But some of the actions the AFMC would like to implement require legislative and policy changes— a fact that could hobble its efforts.

So what is AFMC doing to address its workforce challenges?

WORKFORCE PLANNING

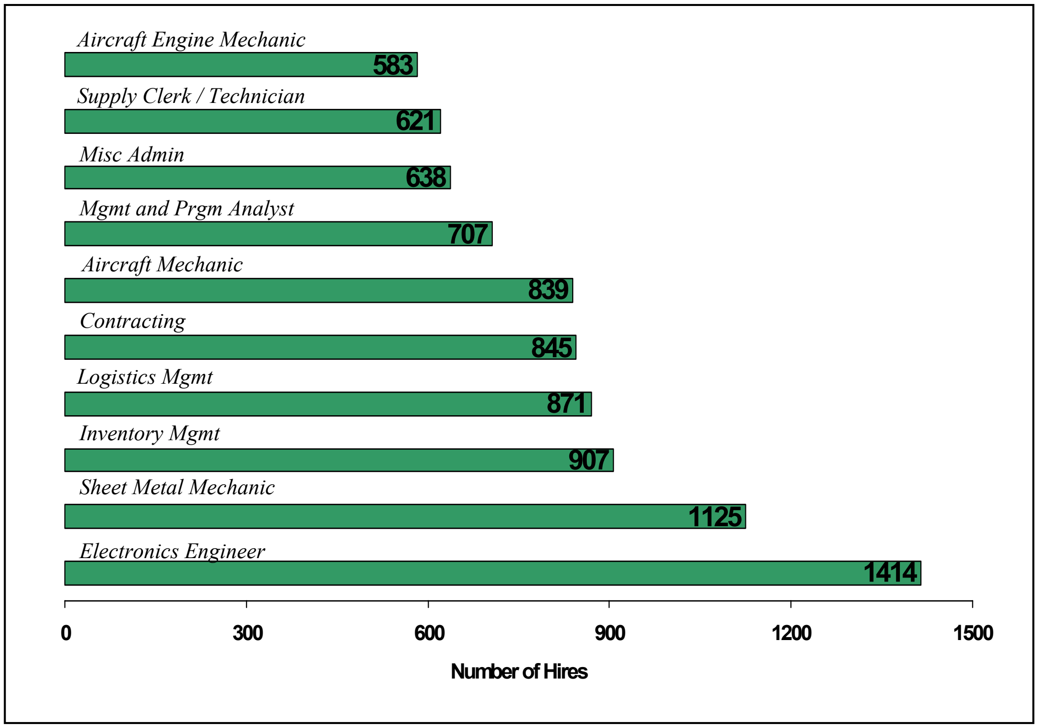
AFMC's plan for Work Force Shaping is ongoing and has many components:

Workforce Demographics AFMC tracks age, racial and ethnic categories, skill levels, education level, and retirement eligibility for current employees, employees lost through attrition, new hires, and supervisor/managers. It also segments this information by location and job function.

Loss Model Based on historical data, AFMC has modified an actuarial "loss model," first developed by the US Office of Personnel Management, that projects vacancies by occupation and location. Using the model, Sweet's division informs the AFMC's 10 centers what their hiring requirements would be if they decided to back-fill all the anticipated vacancies. But staffing needs are more likely to change over time than to remain static. Therefore, each center adjusts the loss-model projections based on what they expect the actual demand will be for specific occupations and jobs in the future. With that information, Sweet and her team can compile a big-picture forecast for hiring needs throughout the Command.

Annual Accession Planning The AFMC produces a short-term and long-term hiring plan for each of its ten centers and for every job category, including budgetary implications and funding sources.

The figure below shows the ten job series where the AFMC plans to do the most hiring over the next five years.



Projected Accessions (Hiring) in Top 10 Job Series, FY04-09

The Human Resources Strategic Plan moves to the tactical level. It sets forth four strategic objectives, describes the strategy for achieving them, and specifies milestones. The Plan also outlines needed resources, such as special salary rates for selected occupations, and quarterly performance targets. (See Research Findings Part III for an example of the plan's metrics.)

Supervisory Guide to Workforce Planning is a new publication that provides supervisors with information about the options available to them for recruiting, hiring, and retaining employees. Such a resource is particularly useful in the military, where HR practices are bound by extensive and complex regulations, some of which have changed in response to the current workforce challenges.

LEGISLATIVE AND POLICY INITIATIVES

Inside the Air Force, top brass readily committed to addressing the challenges outlined in *Sustaining the Sword*. But many of the Work Force Shaping initiatives require approval and funding higher up the chain of command: the Department of Defense, the Office of Personnel Management, or the US Congress. Figures 3 and 4 outline the scope and the variety of tactics that comprise the AFMC's Strategy of Attack. On some fronts, this offensive has already hit its mark and the necessary approvals and funding have been secured. Other campaigns are still being waged. In many cases, it is not just the AFMC or the Air Force that's fighting for these changes but also other government agencies.

Legislative and Policy Initiatives Already Approved and Implemented

- *Expanded Internship Program.* This initiative allows the Air Force to recruit an additional 120 interns annually, some of whom will go to AFMC—an important gain since the program is effective source of new hires.
- *Accelerated hiring process for retired military.* Before this policy change, the AFMC had to wait 180 days after candidates retired from the military before it could hire them. Not only does the new policy reduce how long it takes to fill positions. It also reduces the chance that a private sector employer will scoop up these skilled workers first—an important advantage, since retired military are a primary source of new hires for some job categories.
- *Voluntary Separation Incentive Pay (VSIP).* Approved by Congress for a limited time (thus far, FY 01-03), this initiative will help AFMC stagger the timing of selected retirements to avoid "brain drain." Recent passage o f the Homeland Security Bill makes this initiative permanent and governmentwide.
- *Special salary increases for engineers*. Beginning Q4 FY03, the AFMC will be able to offer 10% retention bonuses to engineers in the most critical positions.
- *Bonuses, Allowances to Blue Collar Workers* (approved by OPM)
- *Co-op Program,* part of AF-wide program, will fund 250 students
- *Paying the cost of exams, licenses and certifications* that are mandated for employees in some positions (approved as part of the National Defense Authorization Act, FY02)
- *Web-based surveys* to investigate new hires' perceptions of the recruiting process and the AFMC's work environment after 120 days on the job.
- *Exit surveys* for employees who retire or resign.

Legislative and Policy Initiatives In Process

- *Command Human Resources Intelligence System* will be fully operational by March 2003, enabling managers throughout AFMC to access demographic information (age distributions, retirement eligibility, etc.) about their respective workforce.
- *Student-loan repayment* of up to $6,000 per year, $40,000 per-person maximum. This initiative has been approved and both OPM and the Air Force have issued guidance regarding its use; however, it has not yet been funded for anyone other than centrally funded trainees.

The Homeland Security Act, passed in November 2002, includes numerous changes to personnel policy including:

- *Category hiring.* Historically, the "Rule of Three" has limited the number of candidates who may be referred to a manager as potential candidates for a job. With category hiring (also called categorical ranking), all qualified candidates may be referred, giving managers a larger, and potentially more diverse, pool to choose from. However, veterans' preference will continue to be observed.
- *Direct Hiring Authority* may be granted by OPM, and could, for example, allow selected AFMC installations to hire locally from outside sources and make offers on the spot.

A number of initiatives are included in the Bush Administration's Managerial Flexibility Act of 2001, a bill that was introduced in November 2001.

- *More Flexible Methods of Payment for Recruitment and Retention Bonuses*
- *Annuity offset waivers* to permit selected civilian employees to return to work after retirement with no pension reduction to offset these additional earnings. Approval of such waivers would also enable retirement-eligible workers to choose phased, rather than full, retirement.
- *Broadbanding and contribution-based compensation systems.* These systems have been successfully tested and could be implemented as Alternate Personnel Systems under the proposed law.

Voluntary Separation Incentive Pay (VSIP)

One notable initiative that Congress agreed to fund beginning in FY01 is Voluntary Separation Incentive Pay (VSIP) for force shaping. It was initially authorized for downsizing purposes—that is, to create a job vacancy that could save an "excess" employee from being let go. Now it can be used to bring in new, more technologically up to date skills. Rather than waiting for large waves of retirements to occur before hiring replacements, AFMC offers a few, selected, retirement-eligible workers an additional incentive to leave sooner, rather than later. That way, the Command can recruit replacements and begin training them before the floodgate of retirements opens, "so everyone's not leaving at the same time," explains Sweet.

VSIP is interesting as a knowledge-management and succession tactic. Under Sweet's command, it's deployed very differently than the way most other agencies use early retirement incentives. At every level of government, our research found instances where employers provided sweetners to induce older workers to retire early, as a stop-gap tactic to deal with shrinking budget allocations. Short-term, such ploys do reduce labor costs. But they are painfully short-sighted, often leaving the agency without the critical knowledge and skills that seasoned employees took with them. Worse yet, the agency may later find it needs to rehire the same folks at much higher consulting rates. Such penny-wise pound-foolishness can, and has, become a political embarrassment for its perpetrators, once a crusading political reporter gets hold of the accounting facts.

In contrast, force-shaping VSIP is both selective and strategic. In jobs where a large number of incumbents are approaching retirement, AFMC handpicks a few employees with high-value skills and offers them an early-out. Then it immediately replaces them with new hires who can learn the ropes from veteran employees before they, too, head off for greener pastures. Like a farmer who culls a few seed potatoes from this year's harvest, VSIP lets AFMC selectively reseed the next year's crop.

OUTCOMES TO DATE

Since FY 01, AFMC's work-force shaping strategy has allowed the command to increase its percentage of trainees from 2% to 8% of the workforce. Nearly 40% of new hires are recent college graduates, and 36% are younger than 30. More than 23% of FY03 new hires were minorities, reflecting one of the major benefits of the work force shaping initiative—the ability to increase diversity as hiring increases.

FUTURE CHALLENGES

Many components of the Air Force's workforce shaping agenda are still in the form of proposed legislation, primarily in the Managerial Flexibility Act. The recent passage of the Homeland Security bill is a good sign, says Sweet, and a clear indication that the current administration wants to create more flexibility in the federal government's personnel system.

LESSONS LEARNED

1. **Constant monitoring of workforce.** "Rather than letting things get out of hand," says Sweet, the Air Force will need to continue tracking and analyzing its "so we can adjust more quickly."

2. **Increased recruitment effort** at the Command-level, especially in regard to recruiting a diverse workforce.

3. **Targeted reductions** Since the Air Force anticipates additional reductions in the coming years, it needs to protect core occupations and skill sets and, says Sweet, "make sure we build up in the right areas."

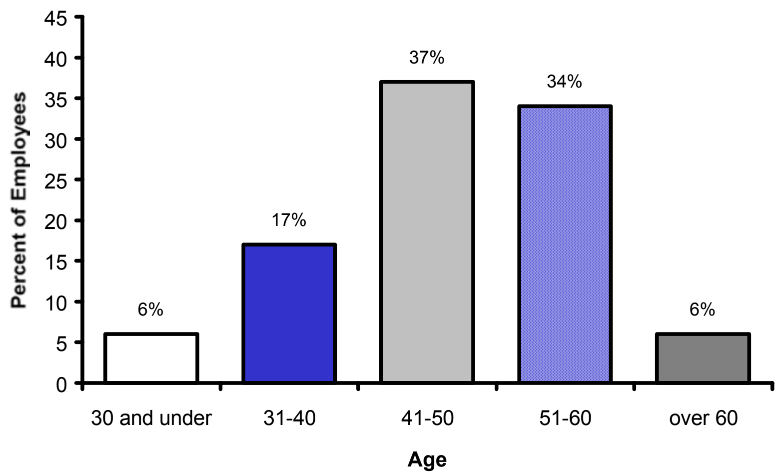
4. **Training** When budgets were cut, so was the amount of training employees receive, a change that has gradually eroded some of the AFMC's expertise. In fact, entire training centers were outsourced. Today, while there's now funding to hire replacements when vacancies occur, training budgets are still not restored. "It's a big issue," says Sweet—and one that the Air Force still needs to address as part of its full-scale battle to rebuild its civilian workforce.

For information on the AFMC's force shaping initiative, go to http://www.afmc.wpafb.af.mil/HQ-AFMC/PA/library/WFS_Fact_Sheet.htm

United States Army (Civilian Workforce)

NUMBER OF EMPLOYEES: 276,493

AGE DISTRIBUTION OF WORKFORCE



INNOVATIVE EFFORTS/PROMISING PRACTICES

Faced with the need to replace 55,000 civilian retirees between FY01-07, the Army has:

- Developed and refined a *dynamic* workforce planning model that does micro- and macro-level projections taking into account potential changes in the environment
- Created tools can be used by managers at all levels
- Introduced just-in-time “inventory-based recruiting” that uses workforce data and an online application process to prepare for future job openings

The Army's civilian workforce has grown and contracted over the past four decades. These fluctuations have impacted its current age composition.

1. In the years following the Viet Nam War, the civilian workforce dropped from 476,000 in 1974 to 428,000 in 1979.

2. During the 1980s, the Army grew, reaching 495,000 civilians in 1986.

3. In 1989, the Army began another period of downsizing. The civilian workforce dropped from 403,000 in FY89 to 222,000 in FY01.

   During the 1980s growth period, the Army hired 1.3 new appointments for each person who retired – thus maintaining the median age between 40 – 42. In the downsizing era that followed, it replaced just half the number of departing employees with new appointments and the median age climbed from 42 to 48 years.

4. In 1999, the Army launched its current strategy of rebalancing the age distribution of its civilian workforce while maintaining a steady staffing level.

Historically, additions to the civilian workforce have come from three sources:

- Reinstatements (employees who were previously government employment and then left)
- Transfers from other government agencies
- New hires (employees who have never worked for the federal government)

Mission:

"While aspiring to be the most esteemed institution in the Nation, we will remain the most respected Army in the world and the most feared ground force to those who would threaten the interests of the United States. Our commitment to meeting these challenges compels comprehensive transformation of The Army."

ELIGIBILITY CRITERIA FOR RETIREMENT

The Army has two retirement systems:

- Employees hired before 1985 are covered under the Civil Service Retirement System (CSRS). They become eligible for normal (called "Optional') retirement at age 55 with 30+ years of service, age 60 with 20-29 years of service, or age 62 with 5 years.
- Employees hired from 1985 on are covered under the Federal Employees Retirement System (FERS). To qualify for full retirement, an employee must reach his or her minimum retirement age (which ranges from 55 for those born before 1948 up to 57 for employees born after 1969) and have 10 years of service.

When there is a major reduction-in-force, employees under either system may qualify for early retirement if they are over 50 and have 20 years or service, or at any age if they have 25 years.

RETIREMENT PROJECTIONS

From FY01 through FY07, the Army anticipates 55,000 civilian retirements.

At present, the median age for civilian employees covered under CSRS is 52 years. That's just two years shy of the "retirement window," the age range of 54 - 62 years when they will become eligible for early and/or or optional retirement. Historically, the median age for civilian retirements is 59, with half of all employees retiring before they reach this age and half after they do so.

For CSRS employees, the crest of the retirement wave will be in FY03, when the median age for this group reaches 54. At that point, half the Army's CSRS employees will have moved into the retirement window.

The median age of employees under FERS is 45 years. Unlike the defined benefits offered under CSRS, retirement benefits under FERS consist largely of a defined contribution (410K plan) and only a small defined benefit. That means, says David Snyder, the senior administrator (Assistant G-1) for Civilian Personnel Policy, "the timing of their retirement will be much more market-sensitive."

While retirement patterns may vary depending on the pension program, that's not the only factor to be considered when making retirement projections. The next section describes insights about civilian retirement patterns gained through the Army's statistical analysis of workforce data. Details about tools are provided in a later section of this profile.

FACTORS THAT INFLUENCE PROJECTED RETIREMENTS

"Retirements are the most predictable events in workforce dynamics," says Dr. Engin Crosby, the research psychologist who helped develop and refine the Army's workforce analysis and forecasting tools. To illustrate, she points to a graph that charts the median retirement age for civilians from FY 75 through FY 01. Across it stretches a line that never wavers far from the 58-60 year age range. As Snyder notes, "It's a dead flat line for almost 30 years." The lone exception occurred in 1988 when the Army offered a one-time retirement bonus to accelerate a "draw-down," or downsizing. Many civilians chose to retire early so they could cash-in. Some even delayed taking full retirement until the incentive was offered.

But overall, that's the exception. The Army's 27 years of civilian workforce data point to a consistent, bigger-picture pattern of behavior: When it comes to taking full retirement, by and large "people retire when they're *ready* to retire," says Crosby. "That decision isn't impacted by financial incentives—at least not at the aggregate level." It's the early retirees who are most likely to be swayed.

Other factors may also influence retirement patterns:

- *The regional economy* In areas where it's more expensive to live in, such as the Northeast, civilians are likely to stay in their jobs a little longer. But in the Midwest, people are more likely to retire when they become eligible.
- *The "density" of retirement-eligible employees* The greater the density, the stronger the cohort effect, or the tendency of civilians who started working for the Army at about the same time to influence each other to retire about the same time. "They came in together and they retire together," she explains. "If Joe talks about retiring and going fishing, Bill decides he wants to go fishing, too." In locations where there

are fewer employees who are eligible for retirement—that is, lower retirement density—the social influence is weaker. Employees in those areas tend to retire a little later.

That will change in FY10, when the first wave of civilians reaches retirement eligibility under FERS. "In the future, we'll be looking at people's retirement behavior tied to market conditions," notes Snyder. The Army has historical data to help it forecast likely behavior patterns. In 1987 and 2000, for example, there were major fluctuations in the market and these produced brief changes in retirement behavior, he says. By analyzing what happened under specific economic conditions, the Army can model what will happen if similar ones occur in the future.

How does the Army *know* all this about its workforce? Where does it get the confidence to calmly forecast not only what will happen if status quo continues, but to also predict what will happen if things change? The answer is a statistical modeling capability that the Army developed and refined, until it is now many generations beyond the basic approach. In fact, the Army's methods are to rudimentary, back-of-the-envelope workforce planning what a Stealth Missile is to a slingshot.

Says Snyder; "You can't do this kind of work with an Excel spreadsheet."

WORKFORCE PLANNING

The Army conducts civilian workforce planning armed with two powerful tools for analysis and forecasting: the Workforce Analysis and Support System and the Civilian Forecasting System.

Workforce Analysis and Support System (WASS)

WASS was developed in 1990 and is used to test hypotheses and evaluate workforce trends such as:

- When do people retire (and does that change in different employment climates such as downsizing, upsizing, and steady state)?
- What impact does the number of retirement-eligible employees have on retirement patterns?
- Have "loss rates" (i.e., attrition) changed over time?

As a planning and policy tool, WASS allows users to evaluate various scenarios—Should we offer incentives? What retirement/replacement ratio will lead to steady state employment levels? —by statistically analyzing 27 years of Army workforce data, more than 31 million employee records, and 61 million employee "transactions" such as promotions, retirements and involuntary separations. WASS's analytic capabilities have been continuously refined over 10 years of use.

Civilian Forecasting System (CIVFORS)

The Civilian Forecasting System had its roots even earlier, when the Army built a basic forecasting model in 1987. Today, CIVFORS projects the probability of key events in the employee life cycle—hiring, promotion, reassignment, and voluntary or involuntary separation—for civilian employees with any given characteristic such as age, tenure, race, national origin or gender. It provides seven-year forecasts based on the previous five years' data. Users can also investigate how anticipated changes at more micro level—say, the growing density of retirement eligible employees in California—are likely to influence outcomes, such as actual retirement rates at installations in that state.

CIVFORS is particularly interesting for the variety of scenarios it can address. For example, a user might start with a basic forecast request such as: If the past 5 years were to repeat themselves, what would the age distribution of our workforce look like in 7 years? Next she or he could add a specific target. Based on historical trends, can we meet a target of X over the next seven years?

CIVFORS can also model how various changes, if implemented, would affect outcomes. Let's say we offer a hiring bonus of X dollars to new engineering graduates. How would that impact our ability to recruit?

When "what ifs" can be quantified, it's even possible to model the impacts of *multiple* factors—such as doubling salaries for some positions, contracting out other jobs, and becoming more automated—either alone or in various combination, while keeping within specified parameters, such as budgets.

Of all the organizations we learned about or interviewed in our research, and of all the approaches to workforce planning we investigated, the Army's is, by far, the most advanced**.** What sets it apart is, in part, the analyses and forecasts that can be done, not only by workforce planning wonks at Civilian Personnel Headquarters in Virginia, but by far less experienced users around the globe. Beyond the statistical power and technological bells and whistles, something else stands out: It's the Zen-like calm CIVFORS and WASS seem to instill in civilian personnel planners, despite the coming wave of retirements and major new initiatives that could raise havoc with current plans.

HOW THE ARMY GOT ITS WORKFORCE PLANNING ACUMEN

It began back in the mid-1980s when Crosby was a rookie personnel analyst doing more mundane calculations about the civilian workforce. Take a look at this, someone said, pointing to a mini-tool the uniformed military had developed for forecasting how many generals, colonels, NCOs and enlisted troops it would need.

When Crosby looked, she recalls, "I was amazed at the capability of this tool." In fact, she says, "I was *thrilled*."

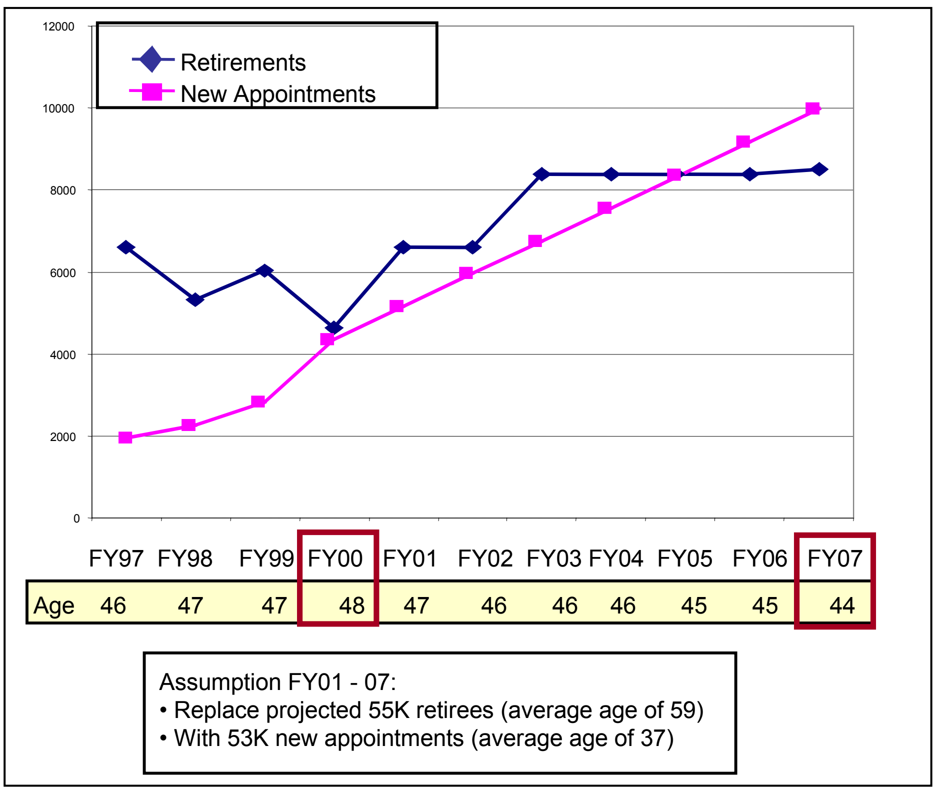
But to be useful, the models had to be "civilianized," since the dynamics of the uniformed workforce are much more structured—largely because the Army has more control over when its soldiers leave. It took several years to convert existing data to the new forecasting tool. Since the Army had copious personnel records, it wasn't the *availability* of data that posed a challenge. It was the *selection* of which data dimensions to include. That decision required input from many quarters: functional experts who understood the intricacies of federal personnel regulations, civilian personnel policy analysts and others who knew institutional history, not to mention a database systems architect and a developer. "It takes a village to pull this off," says Crosby.

When CIVFORS was launched in 1987, it was mainframe-based. And because it required a rigid programming language, very few analysts could use it. Nevertheless, over the next 10 years, the Army fine-tuned the tool's projection methodology, enabling users to zero in on finer details. Instead of looking at larger cohorts, such as grade-levels, now analysts could break those down into specific occupations or locations.

In 1998, CIVFORS moved to the web with a fixed model that forecasted a standard 16 dimensions. And by 2000, it became a flexible system. Since then, users have been able to choose which variables they're interested in, rather than accepting a predetermined list. Once they submit a query, they receive an e-mail back from the system summarizing the results of their analyses. It also gives them a "goodness of fit" measure, to let them know if there were any problems with the analyses they requested. While the Army does not track how many personnel staff around the world are using the tools, it does know their popularity has grown in proportion to their user-friendliness. Back when CIVFORS was on the mainframe, it received under 30 analytical queries per month. Today it's more than 900.

PUTTING WORKFORCE PLANNING TO USE

So what does the Army *do* with all this workforce planning firepower? One current goal is to rebalance its civilian workforce by restoring a normal age distribution curve. How will they get there? By matching the exodus of older workers with an equal infusion of younger ones. Between FY01 and FY07, the Army plans to replace a projected 55,000 retirees (average age: 59) with 53,000 new appointments (average age: 37). This replacement pattern, averaging about 25,500 per year (to offest other losses as well as retirements), will lower the median age from 48 to under 44 years. That's a more balanced age distribution than at present, says Crosby, and one that has served the Army well in the past.



Projected Retirements & New Appointments

But age, itself, is not the only reason that maintaining a balanced workforce is so desirable. Age is important because it's highly correlated with other factors—such as years of service, salary, grade—that contribute to a balanced workforce. And because it influences many aspects of human resource management, such as promotions, reassignment patterns, succession, mobility, and migration out of the workforce.

OTHER APPLICATIONS

These forecasting tools don't just help the Army plan for overall staffing needs. They enable it to do recruitment planning at an extremely granular level. Snyder calls this new capability "inventory-based recruiting."

It's a just-in-time approach to feeding the talent pipeline while avoiding untimely process delays. And it is just being introduced. Using CIVFORS, the Army's Regional Personnel Offices can project losses for the next 6-12-months for specific occupations and grades. Potential candidates will be able to view possible vacancies and submit their resume, if they choose. That, in turn, will allow Regional Operations Centers to monitor the number of resumes already on hand versus projected vacancies and immediately know what sort of recruitment activity they'll need to do. Once actual vacancies occur, they can deliver a list of potential candidates far more quickly than before.

Says Snyder, "Our goal is to cut recruitment time in half over the next seven years.'" That should net out to a *huge* process improvement in an agency that hires tens of thousands of civilians per year. And it can't help but make the Army more competitive in winning the war for talent.

That's today. On the horizon is an HR decision-support system that will integrate additional databases to build layer-upon-layer of expert systems. Using a point-and-click menu, users will be able to select from 11 HR topics such as recruitment, turnover, training, awards and incentives and succession planning. Let's say turnover is their primary interest. A pull-down menu labeled "Current State" will analyze turnover for any specific group or location, using any of eight possible metrics. Under "Future State," the user can see what the projections would be if historical trends continue. The "Potential Problems" menu will highlight specific occupational groups that could be retention trouble spots. And a fourth menu—"What If X Changes?" —will model the impact of salary, grade level, or job satisfaction changes.

IMPACTS

It's critical that the Army rebalance the civilian workforce's age distribution and reduce cycle-time for filling job vacancies. But those are not the only objectives that CIVFORS and WASS serve. Having the capacity to analyze all of the factors the Army needs to understand about its civilian workforce—demographics, replacement needs for specific job classifications at any location, the impact of pay differentials on retention, career paths, training needs, retirement, attrition, and so on— has fundamentally changed the role of personnel experts within the Army. It has also given the Army what appears to be unwavering confidence that it can deal with the wave of retirements that will begin to hit full force in FY03.

Ask David Snyder what difference the Army's analytic and forecasting tools have made and he doesn't miss a beat. "It has enabled us to deal with *facts* rather than hyperbole and anecdotes," he says.

"These tools have facilitated a different type of thinking" explains Crosby. "You can no longer go to a policy-level meeting and just talk opinions or just provide your functional expertise. You have to be able to make the case and it has to be quantitatively grounded. If we do X, here's the likely outcome. *Then* people are willing to listen to you."

That change has driven a fundamental shift in the skills required for anyone who works in HR. "No longer is it enough to be a personnel system expert," she says. "Now you also have to be a planner and a proactive thinker. You have to be ready to discuss numbers and their impacts— right along with the budget and manpower people."

In fact, having the capacity to produce numbers and infer probabilities has also had an impact on the top Army brass. Crosby notes a dramatic change over the past 10 years in "the kinds of charts our leadership uses. Now they're 90% quantitative— how fast we fill jobs, employee satisfaction ratings, occupational needs for our workforce, and what our targets are for the future."

In fact, if CIVFORS and WASS have had one overarching impact, it's that it has created an appetite for data that is both pervasive and, says Crosby, "insatiable."

Such data, in turn, equip the Army with an informational arsenal to address the onslaught of retirements. While other government agencies are anxiously preparing for the workforce equivalent of The Sky Is Falling, the Army seems as placid and unperturbed as a giant stone Sphinx.

"Our confidence comes from the proof," says Crosby. "If we can predict what's going to happen and it's valid over four-to-five years, that takes the alarm out of the unknown."

The Army's workforce planning tools give it a significant advantage over the more static models used by other government agencies, says Snyder. "In a static model, you just add seven years to everyone's age and say we're going to have a crisis. But we know that in seven years we will have brought in 147,000 people. Our model takes into account not just the aging of the people who are here today. It also includes intakes and outflows— *all* the dynamic changes."

So are 55,000 retirements over the next seven years no big concern? Replies Snyder, **"**I'm not saying there is no problem. What we believe is *this is not a crisis*. It's an issue we have a good handle on. The net increase in retirements because of the aging workforce is 1,700 retirements per year. We know with certainty that we can deal with that."

But Snyder also adds a cautionary note. "That's the truth *today*. The truth has a habit of changing. If things stay status quo, we're well equipped to replace people. If all of a sudden we had to hire a large number of people to build up the workforce, we'd have to do something to the mechanisms we use to hire people."

In fact, it is likely that changes *will* occur and that they will necessitate new waves of scenario planning. Two new policy proposals—the first, to investigate closing one or more Army bases and, the second, to outsource jobs that could be more performed more cost-effectively by the private sector— would have major impacts on the civilian workforce. Says Snyder, "If those happen, there will be a lot of personnel turmoil."

But there is also a bright side, he notes. If outsourcing and base-closings take place, "we may have no problem whatsoever with the aging workforce. In that case, it would be *fortuitous* if people retire."

The zigzagging course of government policy changes can be accommodated, he says. "It's *easy* to put scenarios—like outsourcing everyone who does comptroller work or closing certain bases —into the model and find out their impact on the number of individuals and the skills needed."

Surprisingly, it's much harder to predict exactly the right mix of hiring, promotion, development, retention and attrition that will maintain a consistent staffing level. "There are a lot more unknowns when we try to do a steady-state projection," he says.

GOING FORWARD

So how transferable is this capability? Does it take the combined powers of the US Army to marshal such a full-scale effort? The US Office of Personnel Management (OPM) thinks not. The Army's forecasting tool is being prototyped for use across federal government.

But do these agencies have a comparable database of personnel records? That's not necessary, says Snyder. "To do forecasting, you don't need 30 years of data. Five is enough. Then you can continue to build that database over time."

LESSONS LEARNED

What can organizations in other sectors learn from the Army's experience? Here are five observations.

1. Workforce planning should be based on a dynamic model.

   The complexity of turnover rates illustrates a more fundamental point: Workforce planning's predictive power increases significantly when it incorporates not just the basic additions and subtractions to organizational headcount, but other factors that have historically influenced workforce dynamics. These can include

   - External factors (such as the job market, the economy, the labor supply in a given region or occupational group)
   - Internal factors (whether the organization is growing, shrinking or in a steady state, for example, or the future demand for specific skills)
   - Previous personnel trends (the retention rate for particular job categories, retirement patterns, and the like)

   "These are basics that you have to understand, regardless of what function" you're analyzing, says Crosby. " If you don't understand workforce dynamics, you don't understand the basics."

   To be fair, many organizations couldn't do the sort of fine-grained analysis the Army can, even if they had its tools. As every statistician knows, unless you have a large number of cases in every cell for every variable you're interested in, you can't do reliable analysis or forecasting. That means organizations with a smaller workforce may not be able to statistically analyze thin subsets of data. But the basic underlying principle still operates: Identify *all* of the factors that are likely to influence the composition of the workforce and factor them into workforce planning. Can that be done without a state-of-the-art statistical model? Absolutely. The Minnesota Department of Transportation practices the same principle in its approach to "Strategic Staffing," but theirs is a hands-on process rather than a statistical analysis.

2. Beware of inaccurate turnover measures.

   Turnover is "one of the most misunderstood and misused" metrics, says Crosby. "It's also key to understanding workforce dynamics."

   The typical approach is to divide total losses (that is, the number of separations other than retirements) during a given period of time by the number of employees you started out with.

Say you have a workforce of 1000 and, over the next year, 100 of them leave. So what's your loss rate? Ten percent, of course.

Wrong, says Crosby. "It's a mistake to compare loss rates across different time periods." The critical factor that influences turnover rates is the number of new employees who are being brought into the organization. "When you're in a growth mode and hiring a lot of people, you're going to lose more people," she says. Why? Because most people who leave do so within their first few years, which gives newcomers a higher turnover rate than employees with longer tenure. The bottom line, says Crosby: "If you're in a build-up mode, you're going to have a higher loss rate than if you're in a draw-down mode." Understanding the relationship between replacements and losses is "a critical piece in workforce planning," she says, "although the majority of people miss it."

It's also critical to dig deeper than the organizational level "to look at where you're getting turnover *from*. If you want to know if you have a retention problem, you need to look at how many people you've hired each year and how long they stay. Then you look for differences in retention across years, regardless of which year they were hired in, to see if there are changes in patterns of retention over time." That's when the analysis can really root out isolated problem areas, such as a particular job series or work unit or location where turnover is notably higher.

Finally, workforce analysts should avoid making apples-and-oranges comparisons when they benchmark against other employers' turnover rates. Don't compare an organization with 25,000 employees to one with 250, 0000 people, she says. And do look for organizations that employ similar occupational groups.

3. The downside and upside of early retirement incentives

Looking back over nearly three decades of employment data, Crosby questions whether an early-retirement incentive is such a good idea. In the short term, it succeeds in reducing the civilian workforce when the Army needs to downsize. But longer term, it depletes the feeder group who would otherwise step into the shoes left empty by retirees. That "hollows out" the workforce, she says. It drains the institutional knowledge base. Once that happens, "There's not much you can do about it. You've lost an experience factor that you cannot fill through training and there is no quick fix."

That's not to say that early retirement incentives are always a bad idea. Where they *can* work is at the local level. When a unit of 100 people needs to downsize by half, encouraging older workers to leave sooner can be a win for everyone. "It's a real morale booster since it reduces headcount without resorting to a Reduction-in-Force," she says.

4. Building users' comfort with workforce analytics and forecasting is a gradual growth process.

As Army personnel experts, "It's our *business* to know how our strength [workforce size] is changing, how long people stay by occupation, and so on," says Crosby. But for staff at the installation and operations-center level to become skilled at analytics takes time. People were used to relying on the information they already had on hand: a report, some excerpt they had copied, or their historical memory. "But for them to begin saying, 'I can go to the system and find out [the answers]'— that took a while to catch on. It's basically changing the way people do business on the ground level."

Inevitably, some HR staff take to using the new technology faster than others. "Once people experience the value of the tool, they want more. Then they want to be able to do it themselves."

5. A final word on workforce planning.

Snyder distills what the Army has learned about workforce analytics and planning into this pithy coda:

> "You have to know *the size of the problem*. You have to *get to ground truth as to what it really is*. Break down the size of the problem—for example, to the size and skills needed at the installation level. That enables you to do work in advance so you can replace the people you need to. If you're forewarned, you're forearmed."

Snyder's advice resonates with what we learned from other organizations that have been doing workforce planning long enough to have refined their approach. Getting the numbers right is essential. It's what Snyder calls "getting to ground truth." Defining the size of the organization's aging workforce issue—by analyzing age distribution, making retirement projections (or asking employees when they plan to retire, as the TVA does), and factoring in all the other dynamics that are likely to influence supply and demand—can get you to ground truth.

It can also ensure that others, such as senior management, will reach the same conclusion. What is the biggest obstacle facing those who are concerned about the strategic impacts of the aging workforce? Overcoming top executives' indifference or getting them to focus on longer-term issues instead of more immediate ones. Unlike many HR-related issues, this one is readily quantifiable. That makes it comparatively easy to build a business case using numbers, the language that senior executives most readily understand.

Snyder makes a second point that reinforces another observation we made repeatedly in our research: That the power of workforce analytics lies not only at the macro level—calculating overall supply and demand—but also in their ability to 1) separate major problem areas from minor ones and 2) identify carefully targeted interventions that will have a significant impact exactly where it's most needed.

It's the difference between shooting wildly in every direction versus taking a few, precisely aimed shots. Elsewhere in this report are other profiles that illustrate this point. One example is Pennsylvania's strategy of taking *selective* action, choosing to intervene only when normal supply mechanisms won't ensure an adequate pipeline of skilled employees to carry out the responsibilities of state government. Another example is the TVA's targeted approach to diagnosing and managing "knowledge lost through attrition," a far more effective response than trying to capture and store *all* the knowledge that will walk out the door as 4,550 employees retire.

That's a critical factor in getting to ground truth in regards to the aging workforce: Think about it only at the macro level, and the numbers may seem paralyzingly large. Instead, remember the Army's equanimity in the face of 55,000 retirements. It's less daunting, and often more effective, to break the large number into smaller components, find the real trouble spots, and zero in on those.

FOR MORE INFORMATION

FY02-07 Civilian Human Resources Strategic Plan
http://cpol.army.mil/library/armyplans/sp02-07/preamble.html

Civilian Personnel Online
http://cpol.army.mil/library/armyplans/workforce/index.html

Research Findings Part III: Models, Processes, and Tools

This section compiles a variety of frameworks and tools that jurisdictions we interviewed are using to address the HR challenges of an aging and retiring workforce. They include:

Framework or Tool	Source	Pages
Force-field Analysis for Meeting the Challenges of an Aging and Retiring Workforce	Adapted by Dr. Mary Young, the Center for Organizational Research	142-145
Workforce Planning Process	CPS Human Resource Services	146
Workforce Needs Analysis Process and Workbook	Los Angeles County	147-156
Workforce Data Reports	Los Angeles County	157-164
Retirement Calculator	Iowa	165-167
Succession Planning Process	Henrico County, VA	169
Succession Management Plan	Henrico County, VA	170-173
Semi-annual Succession Management Evaluation Plan	Henrico County, VA	174-176
Metrics for Evaluating Progress against Strategic Human Resources Plan	Air Force Materiel Command	177-178
Risk Analysis for Managing Knowledge Lost through Attrition	Tennessee Valley Authority	179

We are grateful to the jurisdictions that allowed us to share their materials and wish for them to receive full credit. Rather than attempting to reformat these items to achieve a consistent graphic style, we have chosen to reproduce them in their original form (with occasional editing for length). For this reason, readers should consult the above table to identify the source for each framework or tool.

FORCE-FIELD ANALYSIS FOR MEETING THE CHALLENGES OF AN AGING AND RETIRING WORKFORCE

Earlier in the report, we presented a force-field analysis designed to capture the driving and restraining forces that influence the impacts of an aging-and-retiring workforce. A force-field analysis is a useful tool for:

- Identifying contributing factors and root causes
- Identifying potential levers for change, either by strengthening the driving forces or reducing the restraining ones.

Use the force-field analysis template on the following page to analyze the drivers and restraining factors that influence the aging-and-retiring workforce's impact on your organization. The left-hand column suggests different levels to consider in your analysis: organizational-level factors, regional, industry, and beyond. Examples of forces at each level are presented in *italics*.

Factors that Contribute to, or Offset, the Challenges of an Aging and Retiring Workforce in My Organization

Level	Driving Forces	Restraining Forces
Workgroup and/or Departmental		
Job Classification or Occupational Group		
Business Unit		
Organizational		
Geographic		
Sector/Industry		
Environmental (economic, social, political, cultural, etc.)		

Sample Force-Filed Analysis: Factors that Contribute to, or Offset, the Challenges of an Aging and Retiring Workforce in My Organization

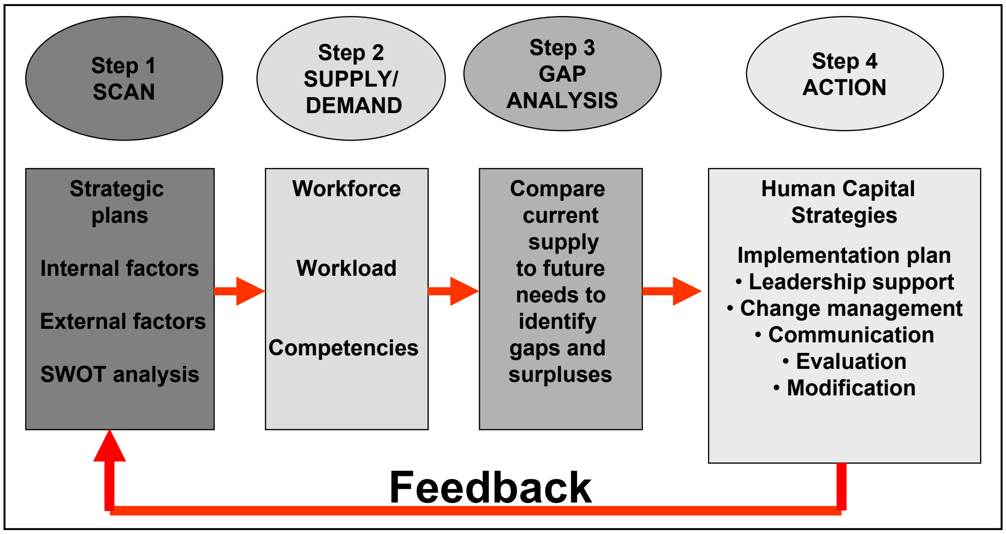
Level	Driving Forces	Restraining Forces
Workgroup and/or Departmental	*Everyone here came on board in the 1960s and 1970, so the whole department could be wiped out within a few years.*	*We no longer need so many folks who know how to fix the old equipment and, when we do need them, we can borrow from other departments.*
Job Classification or Occupational Group	*It's hard to attract young people to do this job*	*There are a lot of unemployed [insert occupation] due to recent lay-offs, so finding seasoned replacements won't be hard.*
Business Unit	*The most experienced people in this unit have long memories, deep knowledge, and strong relationships that help them get things done. Nobody from the outside can just walk in the door bringing all that.*	*The need to replace retiring workers gives us a great opportunity to upgrade our skills and bring in people experienced with much newer technology.*
Organizational	*The downsizing we did in the early 90s cut so many early- and mid-career employees that we don't have an adequate replacement pool.* *When we had to cut our training budget by 50%, we stopped developing the next generation of leaders.*	*Our mid-career folks are chomping at the bit for the career opportunities that will open up with senior managers retire.*
Geographic	*Young people don't want to stay in the area.* *We need skilled trades but the local technical schools and colleges don't offer relevant certificate programs.*	*People love quality of life here, so we can attract applicants from other areas*
Sector/Industry	*Our whole industry has been contracting over the past decade.* *Our industry has traditionally offered long-term employment. Now that we've been through downsizing, working here seems less attractive.* *We're all being affected by the shortage of graduates who can do what we need them to.*	*Compared to other industries, we've had steady growth over the past five years. We offer great career opportunities because the aging population will create growing need for our services.*
Environmental (economic, social, political, cultural, etc.)	*Now that we have a hiring freeze, we can't fill vacancies due to retirement.*	*Given the falling value of people's retirement savings, older employees aren't retiring as soon as they become eligible.* *The crash of the dot-coms has made government-sector jobs more attractive.* *Our employees love working here and so they tend to stick around rather than retire.*

Once you have thoroughly identified all the factors that either contribute to your organization's aging-and-retiring workforce challenges or that moderate those challenges, you can use the force-field analysis to identify:

- Driving forces that could be weakened or eliminated through some intervention
- Restraining forces that could be increased or enhanced through some intervention
- Additional restraining forces that could be added

The level at which a driver or restraining force operates is likely to suggest the level at which you might find stakeholders or allies to support an intervention. For example, if most organizations in your sector are affected by the same condition—say, the perceived decline in the attraction of public service careers—it makes sense to intervene at the sector level. That could mean organizing a sector-wide research study, a conference, or a task force to develop recommendations for action. If the driving force you'd like to reduce or offset affects a particular occupational group—such as social workers—then you might partner with a social work professional group or an academic institution that trains social workers.

WORKFORCE PLANNING PROCESS



Workforce Planning Model, CPS Human Resource Services

For additional models of the workforce planning process, we recommend:
Workforce Planning Resource Guide for Public Sector Human Resource Professionals (2002), available from the International Personnel Management Association

The US Office of Personnel Management offers excellent resources, including links to many federal agencies' workforce planning pages, on its workforce planning website:
http;//www.op,.gov/workforceplanning/index.htm

Los Angeles County's Departmental Needs Assessment

The departmental assessment consists of a four-step needs assessment of the current and future requirements. This assessment starts from a global perspective (evaluating the department as a whole) and works down to more specific information (evaluating at the workforce level).

Each layer of the assessment, described below, focuses on information that will be necessary to develop a Strategic Workforce Plan.

Following this description is Los Angeles County's needs assessment workbook. It is designed to guide a discussion among senior managers when they meet to assess their department's future needs.

1. Departmental Priorities

The first step is an assessment of departmental priorities, beginning with an examination of the department's mission and objectives to help identify whether they are being met and in what direction core services are being taken.

- What are the department's mission, goals, objectives, and core services?
- What are we doing to meet the department's mission, goals, objectives, and core services?
- Do we anticipate a change in our strategic objectives or way of conducting business?

2. Departmental Structure

The second step will build upon the first by relating the priorities of the department to its actual structure. Programs, classifications, organizational charts, and budgets will be looked at in this step as they pertain to providing core services. Examining the structure of the organization will identify its current status and whether it is positioned for future demands.

- What is the formal structure (organizational chart) of the department? Is it compatible with the department's functional structure (i.e., its division of labor)?
- What percentage of the total operating budget is spent on personnel, services and supplies, training, and recruitment?
- Budget trends: do projected funding levels support positions and objectives?
- Will budget practices change?
- What are the position allocation needs of each core program?
- What training and development programs are available and how many employees participate?

3. Workload

In the third step, the department's workload (as defined by the volume of the services and products provided by the department) will be examined. Assessing the workload of the department as it relates to departmental priorities and structure will create a picture of future needs as the workload increase or decrease in the department.

- What is the nature of the work to be done, in terms of services/products, volume, location, and duration?
- What are the present work products? Is the workload expected to increase or decrease?
- What is the effect of technology on workload and productivity?

- What factors would cause a change in workload (e.g., new programs, legislation, economy, etc.)? How will you compensate for such events?

4. Workforce

The fourth step involves using the information gathered in the previous steps to determine current and future workforce needs. Specifically, this step identifies classes that are critical to your operation and the competencies (knowledge, skills, and abilities) required by current employees and those that will be needed by employees in the future.

- Which of the classes in your department are considered the most critical to your operations? Take the following into consideration when identifying your critical classes:
  - (a) which positions are most critical to your departmental operations when considering such factors as Charter-mandated services, Board-mandated programs, or functions with major financial impact on departmental operations
  - (b) whether or not there is a prolonged development period or learning curve before employees can develop the requisite skills and knowledge to perform the full scope of a complex and demanding position.
  - (c) positions where high turnover or a spike in turnover may be likely with a high attrition rate within a relatively short period.
  - (d) positions that are government specialties where there is no recourse to contractors, consultants or other service providers to meet interim service needs in the event of the unavailability of qualified County employees to perform these services.
- What are the core competencies required by employees within each job family of critical classes (e.g., Civil Engineering series, Eligibility Worker series, Human Resources Analyst series, etc.) in your department?
- What career paths are generally followed or available for those critical classes that lead to technical, supervisory, management, and executive-level positions (e.g., Administrative Assistant I ➔ Administrative Assistant II ➔ Administrative Assistant III ➔ Supervising Administrative Assistant II ➔ Supervising Administrative Assistant III)?
- How is the workforce going to change in size and demographics?

LOS ANGELES COUNTY'S NEEDS ASSESSMENT WORKBOOK

DEPARTMENTAL PRIORITIES

Departmental Mission:

Departmental Goals:

Departmental Objectives:

Core Programs and Services:

Are we able to meet the mission, goals and objectives of the department and deliver core programs and services as mandated by the Board of Supervisors and State and Federal appointments?

Do we anticipate a change in our strategic objectives or way of conducting business? If yes, how will it affect workforce deployment or allocation, budget, etc.?

DEPARTMENTAL STRUCTURE

Compare your most recent organizational chart with the functional structure of the department. Are the two compatible? Describe any discrepancies between the two.

Will there be a reorganization of the department or any units?

Allocation of Resources:

	Costs
Salaries & Employee Benefits	_____%
Services & Supplies	_____%
Training	_____%
Recruitment (e.g., advertisements, job fairs, conferences, etc.)	_____%

Do projected funding levels support positions and objectives?

Are there any anticipated budgetary allocation adjustments (e.g., programs beginning or ending, layoffs, etc.)?

What are the position allocation needs of each core program?

Program:	**Position(s):**

What formal and informal departmental programs exist to assist employees with advancement? How many employees are currently participating in these programs?

WORKLOAD

What is the nature of the work to be done, in terms of services/products, volume, location, and duration?

Is the workload expected to increase or decrease?

What is the effect of technology on workload and productivity?

What factors may cause a change in workload (e.g., new programs, legislation, economy, etc.)? How will you compensate for such events?

Potential Factor	**Management Plan**
Example from DHR Centralized Examining & Test Research Division New Program – Test Research Unit	Recruit and hire individuals with an Industrial/Organizational Psychology background to fill the following positions: • HR Analyst IV • HR Analyst III • HR Trainee

Potential Factor	**Management Plan**
1.	
2.	
3.	

WORKFORCE

Which of the classes in your department are considered the most critical to your operations?

What core competencies are required by employees within each family of critical classes (e.g., Civil Engineering, Eligibility Worker series, Human Resources Analyst series) in your department? Core competencies are integrated knowledge sets within one department that distinguish it from others and deliver value to its customers.

What career paths are generally followed or available for those critical classes that lead to technical, supervisory, management, and executive-level positions (e.g., Administrative Assistant I → Administrative Assistant II → Administrative Assistant III → Supervising Administrative Assistant II → Supervising Administrative Assistant III)? For each critical class, delineate the career path.

How is the workforce going to change in size and demographics?

V. SUMMARY

Based on your responses, what adjustments can be made in your department to accommodate the activities associated with strategic workforce planning?

DEPARTMENTAL PRIORITIES

DEPARTMENTAL STRUCTURE

WORKLOAD

WORKFORCE

Los Angeles County's Workforce Planning Data Reports

The following pages contain fictional samples of the three data reports that Los Angeles County's Department of Human Resources provides every department.

The reports are complex, and readers may balk at their appearance. However, we include them here as instructive examples for those interested in mining workforce data:
- To make retirement forecasts
- To identify specific departments and jobs that are vulnerable to a high percentage of retirements

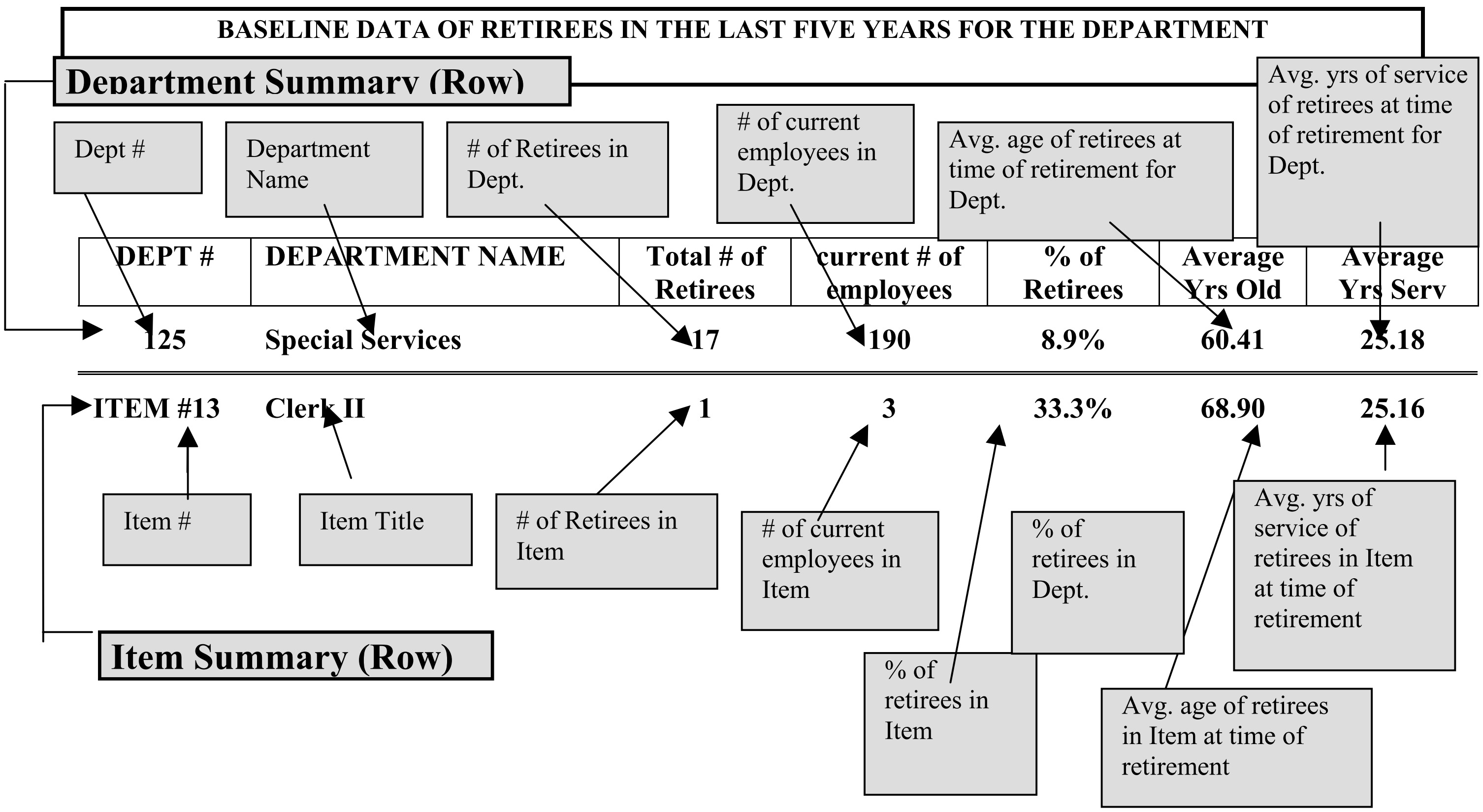
For additional information about Los Angles County's workforce data reports, contact Marc Shartzer, Human Resources Analyst IV, County of Los Angeles (**mshartze@dhr.co.la.ca.us** or 213-637-1851)

LOS ANGELES COUNTY'S DATA INTERPRETATION SHEETS

Los Angeles County's Department of Human Resources provides each department with three reports on past retirement trends and the current workforce. These reports enable each department to:
(a) identify classifications with high levels of anticipated retirements
(b) develop recruitment, retention, and development strategies to maintain County services

REPORT #1 BASELINE DATA OF RETIREES

The purpose of Report #1 is (1) to provide a profile of past retirement trends and (2) to serve as an indicator to gauge future retirement trends. The report is based on the number of retirements for the department during the last five years. Data are presented with the department roll-up totals in the first row and individual item breakdowns in the subsequent rows. The following is an example of a fictitious report data:



Notes about the data

- The report provides the average age and the average years of service of retirees in each item and for the whole department. This data, when compared to the current workforce data report, may be used to anticipate whether the department or specific items will have high levels of anticipated retirement.

- The percent turnover due to retirements is based on the current number of employees. That is, the percentage of retirees reflects the proportion of retirees as compared to the current number of employees. Because the current number of employees may be larger or smaller than the annual average number of employees for the last five years, the percentage of retirees may be underestimated or overestimated.

REPORT #2 CURRENT EMPLOYEE PROFILE

Purpose

The information in Report #2 will assist you in (1) determining which classifications have potentially high levels of retirements and (2) focusing recruitment, retention, and development strategies for classification(s) in order to maintain County services. This is accomplished by providing three views of the anticipated retiree data analyzed at two levels: (a) overview of the department on the whole, and (b) for each classification within the department. The data is based on current permanent employees who are at least 50 years old and have at least 20 years of service by 4/16/2001.

Report Breakdown

To assist you in analyzing potential retirement within your department, the data has been placed into three categories (Table 1). Each category provides a unique perspective on how to view anticipated retirements within your department. The number and percent of current employees under each category is provided.

Table 1

Category I	-	**Potential Retirees** Over The Next 5 Years (Proactive Category)	At least 50/55/60 years old with at least 20 years of service
Category II	-	**Typical Retirement Age**	At least 55 years old with at least 25 years of service
Category III	-	**Most Likely to Retire**	At least 60 years old with at least 30 years of service

Category I: "Potential Retirees Over Next 5 Years" (Proactive Category)

The first category reflects the current employees who are most likely to retire in the next five years. The data is based on current employees who are 50 years of age and older with at least 20 years of service. This category is intended to be the proactive category by providing a lead time before employees are likely to retire. Classifications with a high percentage of incumbents in this category, but not in the next two higher categories (II and III), may want to initiate development strategies to prepare current feeder class employees to assume positions of greater responsibility.

To make this category more meaningful, the data has been divided into three sub-categories according to age:

(a) 50 years of age and older with at least 20 years of service (column 50/20)*.
(b) 55 years of age and older with at least 20 years of service (column 55/20)**.
(c) 60 years of age and older with at least 20 years of service (column 60/20).

These sub-categories provide more information on the timeline of when current incumbents within a classification may retire, which in turn, may influence the type of strategy you may use.

*Based on past retirement trends, this represents a five year lead time for *SAFETY* items.
**Based on past retirement trends, this represents a five year lead time for *GENERAL* items.

Category II: "Typical Retirement Age"

The second category reflects the current employees who fit the typical retirement age: 55 years of age and older with at least 25 years of service (column 55/25). Employees in this category may have a high potential for retirement. Therefore, strategies for a classification that has a high percentage in this category, but not the next higher category, may be to initiate a combination of recruitment and development strategies, depending on the suitability of employees who currently hold positions in the feeder classifications.

Category III: "Most Likely to Retire"

The third category reflects employees who are "most likely to retire." That is, these employees are 60 years of age and older with at least 30 years of service (column 60/30). These employees could retiree at any time and would be considered to *most likely* retiree in less than five years. Efforts may focus on recruitment strategies, unless you have suitable employees who could assume the positions of greater responsibility of the retiring incumbent.

NOTE: An employee can be represented in more than one category/subcategory. The data has been presented in a total of five different data columns, which does not imply that each data column is separate from each other. An employee may be counted in all five data columns depending on his/her age and years of service. For example, an employee who is 62 years old with 31 years of service would meet the criteria for all the categories and would be counted in each of the five data columns (please see Table 2 for this and other examples).

Table 2

Individual's Data		Data Categories 1			2	3
Age	Yrs of Service	50/20	55/20	60/20	55/25	60/30
62	31	☒	☒	☒	☒	☒
60	23	☒	☒	☒		
56	26	☒	☒		☒	
58	23	☒	☒			
53	27	☒				
50	22	☒				

Note: each ☒ represents the individual being counted

CURRENT EMPLOYEES WHO ARE AT LEAST 50 YEARS OLD AND HAVE AT LEAST 20 YEARS OF SERVICE BY 4/16/01.

Department Summary (Row)

Dept # | Department Name | # of Employees in Dept. | **Category I (a), (b), (c)** | **Category II** | **Category III**

DEPT#	DEPARTMENT NAME	# of Current Employees	50/20		55/20		60/20		55/25		60/30	
			#	%	#	%	#	%	#	%	#	%
125	Special Services	190	46	24.2	26	13.7	6	3.2	20	10.5	1	0.5
Item 18	Special Services Analyst I	19	6	31.6	2	10.5	1	5.3	1	5.3		

Item # | Item Title | # of current Employees in Item | # of current Employees in Dept. under a Category | % of current Employees in Dept. under a Category | # of Employees in Item under a Category | % of current Employees in Item under a Category

Item Summary (Row)

Data columns under each category represents current permanent employees who are at least 50 years of age with at least 20 years of service (i.e., employees who are at "50/20").

<u>Notes about the data</u>

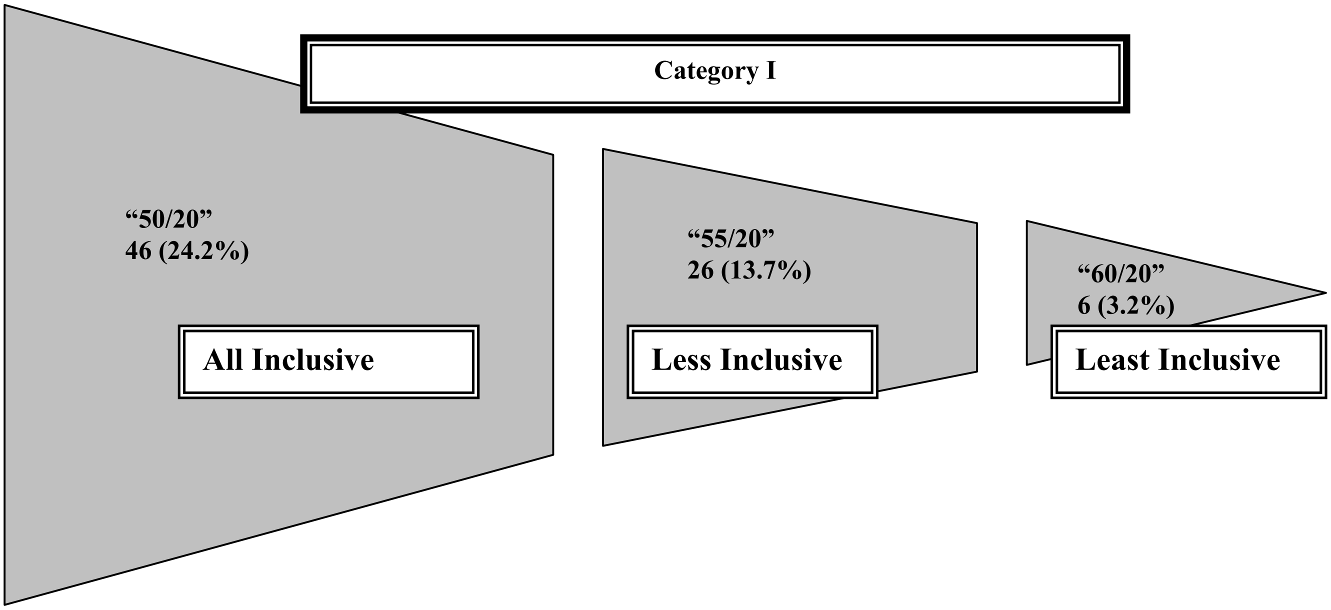
- The report <u>only</u> includes items that have at least one incumbent who is at "50/20." If an item did not have any employees at "50/20," the item was excluded from the report. Therefore, the sum of current employees across all items will <u>not</u> equal the total number of current employees in the department (unless all items in the department are represented).

- For each item included in the data report (as described in the previous bullet) and for the whole department, the total number of current employees is provided, regardless of whether all the employees are at "50/20." Therefore, the total number of employees under each category will <u>not</u> equal the total number of current employees in the item or for the whole department, because the data columns across categories only account for employees who are at "50/20."

- For each category, the sum of the number of current employees across all items should equal the total number of current employees in the department.

- Percentages only reflect the proportion of current employees (in an item or on the whole department) who are under a particular category or sub-category. Percentages, when summed for each item across categories and sub-categories or up data columns across all items, do <u>not</u> equal 100%.

- Under Category I, the number and percentage of current employees should decrease as one moves from sub-category (a) to sub-category (b) to sub-category (c). This is because the data becomes less inclusive, that is less people will meet an age threshold, as it moves across sub-categories. See the following graphical representation using the department summary data.



One should be able to deduce the number of current employees in each sub-category by subtracting the smaller quantity from the larger quantity. In the above example, there are 20 incumbents who are only at 50/20, that is, subtract the total under 55/20 (26) from the total under 50/20 (46). Similarly, to obtain the number of individuals in 55/20, subtract the total under 60/20 (6) from the total under 55/20 (26), which equals 20 individuals in 55/20.

REPORT #3 WORKFORCE NEARING RETIREMENT BY RETIREMENT PLAN

Purpose

This report will assist you in (1) determining which classifications have potentially high levels of retirements and (2) focusing recruitment, retention, and development strategies for classifications in order to maintain County services. In contrast to Report #2, this report provides the number and percentage of **current permanent employees at "50/20" who are enrolled in one of the five LACERA retirement plans**. The data is based on current employees who are at least 50 years old and have at least 20 years of service ("50/20") by 4/16/2001.

Informational Note

This report is based on the assumption that an employee's retirement plan may influence when he/she decides to retire. For example, an employee at "50/20" who is enrolled in Plan A is more likely to retire earlier than an employee at "50/20" who is enrolled in Plan D due to the plans' percent payouts at the time of retirement. Therefore, given a higher percentage of employees under Plan A, a department may consider different strategies for the classification to maintain services than if the classification has a higher percentage of employees under Plan D.

WORKFORCE NEARING RETIREMENT

BY RETIREMENT PLAN

Department Summary (Row)

Dept #

Department Name

# of Employees in Dept.

# of Employees at 50/20 in Dept.

# of Employees at 50/20 in Dept. under each Plan

% of Employees at 50/20 in Dept. under each Plan

% of Employees at 50/20 in Item under each Plan

DEPT #	DEPARTMENT NAME	# of current employees	50/20 #	50/20 %	Plan A #	Plan A %	Plan B #	Plan B %	Plan C #	Plan C %	Plan D #	Plan D %	Plan E #	Plan E %
125	**Special Services**	**190**	**46**	**24.2**	**35**	**76.1**	**1**	**2.2**	**1**	**2.2**	**3**	**6.5**	**6**	**13.0**
Item # 18	**Special Services Analyst I**	**19**	**6**	**31.6**	**4**	**66.7**			**1**	**16.7**	**1**	**16.7**		

Item #

Item Title

# of Employees at 50/20 in Item

% of Employees at 50/20 in Dept.

# of Employees at 50/20 in Item under each Plan

# of Employees in Item

% of Employees at 50/20 in Item

Item Summary (Row)

- The report only includes items that had at least one incumbent who is at "50/20." If an item did not have any employees at "50/20," the item was excluded from the report. Therefore, the sum of current employees across all items will not equal the total number of current employees in the department (unless all items in the department are represented).

- For each item included in the report (as described in the previous bullet) and for the whole department, the total number of current employees is provided, regardless of whether the employees are at "50/20." Therefore, the total number of employees under each plan will not equal the total number of current employees, because the data columns across plans only account for employees who are at "50/20" (unless all items in the department are represented).

- For each item and for the whole department, the sum of employees across plans should equal the total number of employees at "50/20." Therefore, the percentage of employees under each plan reflects the proportion of employees at 50/20, not the proportion of the total number of current employees.

State of Iowa

Human Resource Management
Retirement Calculator

The Retirement Calculator was created to provide departments in the State of Iowa with detailed 10-year projections of potential retirements and the associated costs. These projections are calculated on actual employee data for each department. The tool allows the user to project and to vary the across-the-board annual salary increase, the vacation accrual rate, sick leave accrual rate, and any of the retirement eligibility conditions. Any changes to any of the variable factors are automatically recalculated and reflected in the Summary Page.

If you have any questions or comments regarding the calculations or function of this tool, please contact Joe Ellis at (515) 281-5607 or joe.ellis@iowa.gov.

Iowa Department of Personnel

Serving those who serve Iowa

RetCalc Standard temp

Welcome to the Retirement Calculator. This tool has been created to aid in departmental Workforce Planning efforts. Specifically, the Retirement Calculator will create a 10-year projection of retirement eligibility in departments based on current eligibility criteria.

The Retirement Calculator is divided into four pages as follows:

1. *Information* – (Current page) This page is intended to give preliminary information and to establish the time period for the calculation.

2. *General Summary page* – This page is intended to give a macro view of the possible overall impact of retirements on the workforce as well as the potential financial impact to the department.

3. *Details page* – The detail page shows all of the calculations behind the summaries. In addition to showing all employees and employment data, this page allows the user to sort the data by: Organizational unit, date of retirement eligibility, or classification title. There is a Details page for both General and Protection Occupation employees.

4. *Data page* – The final pages of the Retirement Calculator are the data pages where all of the initial raw data is loaded by your personnel representative or workforce planning coordinator.

Before you begin, please make note of the fiscal year of the data you will be using: **2003**

(For example, if the data used is from June 22, 2000, the data is from the end of Fiscal Year 2000 and you will see 2000 in the box above)

Date employee data was downloaded from HRIS system:	**07/04/02**
Date representing the end of the current fiscal year:	**06/19/03**

If your data has already been loaded, proceed to the Summary page to view your projections. If your data has not yet been loaded, please contact Joe Ellis at 281-5607 or joe.ellis@iowa.gov for your departmental data.

Iowa Department of Personnel
Workforce Planning Program
sam.hoerr@idop.state.ia.us
1/28/2003

RetCalc Standard temp

Retirement Projections

Enter annual percentage salary increase:	0.03	(Enter as a decimal)
Enter annual vacation accrual (in hours):	100	(Based on accrual of 1/2 maximum vacation allowance & use of other 1/2)
Enter annual sick leave accrual (in hours):	100	(Based on annual sick leave accrual minus average use)

Total Number of Employees: 0

Retirement Projection Summary by Year

End of Fiscal Year [1]	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Condition 1	0	0	0	0	0	0	0	0	0	0
Condition 2	0	0	0	0	0	0	0	0	0	0
Condition 3	0	0	0	0	0	0	0	0	0	0
Number Eligible [2]	0	0	0	0	0	0	0	0	0	0
% of Workforce	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Cumulative %	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Vacation Payout	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Sick LV Payout	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Payout [3]	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Current Retirement Guidelines

Condition 1: Rule 88		Condition 2		Condition 3	
Age must be at least:	55	Age must be at least:	62	Age must be at least:	65
Total must be at least:	88	Years of service at least:	20		

[1] First year numbers include employees who have previously met retirement eligibility guidelines

[2] Total number eligible is not a cumulative total due to some employees satisfying more than one retirement condition

[3] Total Potential Payout if all eligible employees retire

Iowa Department of Personnel
Workforce Planning Program
joe.ellis@iowa.gov

Steps in Succession Management

Below are instructions related to each of the Succession Management steps:

- The information for Steps One and Two is to be outlined on the Succession Management Plan form.
- The information for Steps Three and Four is to be completed by those employees under your direct supervision on the Individualized Learning Plan Form.
- Step Five information is to be reported on the Succession Management Evaluation Form and given to your immediate supervisor.

Step One: *Identify Key Positions for Succession*

These positions have already been identified. They are: County Manager, Deputy County Manager, Department Heads, Assistant Department Heads. **Each of the employees listed above will complete a Succession Management Plan form.**

Step Two: *Identify Competencies Needed*

Core competencies have already been developed and are listed in the LDP manuals and the LDP web page. Additional sources for this competency list are: Class Specifications, Job Descriptions, Trend data that indicates future skills needed for the position. **Be sure to list examples of how this skill is used in the position. See the sample Succession Management Plan form for more information.**

Step Three: *Employees Begin Development with Assistance of Key Manager*

Meet with each management employee who directly reports to the above-mentioned key positions to discuss developmental needs and opportunities. Stress that the employee's development does not guarantee promotion, but is intended to assist them in developing the skills to be a marketable candidate in the event of a vacancy at a higher level of management. Development responsibilities are as follows: County Manager develops Deputy County Managers, Deputy County Managers develop Department Heads, Department Heads develop Assistant Department Heads, Assistant Department Heads develop Middle Managers or other managers reporting directly to the Assistant Department Head.

Note: The County Manager will work with those department heads who report directly to him. Assistant department heads should also encourage middle managers to develop other supervisors reporting to them, even though middle managers are not officially part of the succession management plan at this time. A sample Succession Management Plan and Individualized Learning Plan are attached. Note that it indicates a combination of experiential learning and classroom training, and a combination of formal and informal learning. When you meet with your employee(s), determine the types of learning that has the most impact for them.

Step Four: *Employees Assess Development with Assistance of Key Manager*

Meet with those employee(s) under your direct supervision during and after developmental activities to assess their progress. Create additional goals and learning plans accordingly. It is important that you provide both positive and constructive feedback to them as they work toward stretch objectives.

Step Five: *Evaluate Succession Management Program*

The attached Evaluation form is to be completed and turned in by March 29, 2002 and every six months thereafter. It provides information on developmental activity and succession management statistics for each department in Henrico County.

This form also available at www.co.henrico.va.us/hr/ in the forms section (Dept. of Human Resources 11/01)

Succession Management Plan

Steps One & Two

Instructions: The manager currently occupying the key position (County Manager, Deputy County Manager, Department Head, or Assistant Department Head) completes Steps One and Two and distributes to all staff reporting directly to him or her. Each of these staff members then works with their manager to complete the attached Individualized Learning Plan (Steps Three and Four). Evaluation of the program (Step Five) is reported on the Succession Management Evaluation Form by the manager occupying the key position. These completed forms shall be submitted through the chain of command and ultimately packaged for the County Manager's review.

Step One: *Identify a Key Position for Succession* ______________________________

Step Two: *Identify Competencies, Responsibilities, Duties, Tasks, and Essential Job Functions of this Position. Then list specific examples of how these competencies, functions, etc. are exhibited in this job.(Use additional pages as necessary).*

Competency, Responsibility, Duty, Task, Essential Job Function	Behavioral Examples

_____________________________   ________________
Signature of Key Position Manager   Date

Step Three: *Employee completes the attached Individualized Learning Plan with the assistance of key manager.*

Step Four: *Employee Assesses Ability by Verifying that he/she has closed developmental gaps with assistance of key manager. This information is also recorded on the Individualized Learning Plan.*

Step Five: *Evaluate Program by monitoring developmental activity in your areas of influence, meeting with your manager to discuss internally filled positions and the success of the employees working in those positions.*

Note: Steps One, Two, and Five to be completed by key higher level manager; Steps Three & Four to be completed by subordinate employee. This form also available at www.co.henrico.va.us/hr/ in the forms section (Dept. of Human Resources10/01)

Individualized Learning Plan
For Leadership Positions

Directions: Use this Individualized Learning Plan to help develop the skills for higher-level leadership positions. Work with your manager to reach agreement on objectives, strategies, etc.

Employee's Name ______________________________ Job Title ______________________________

Department ___________________________________ Years in Position ______________________

Manager's Name _______________________________ Job Title ______________________________

Department ___________________________________ Years in Position ______________________

Today's Date __________________________________ Plan Covering _________ to _________
Date Date

Below list the competencies, activities, responsibilities, duties, tasks, or essential job functions of a higher-level leadership position in which you have developmental needs and to which you aspire.

____

____

____

____

____

____

This form also available at www.co.henrico.va.us/hr/ in the forms section (11/01) 1

Learning Objective	Methods and Strategies to meet the Objectives	Resources Needed to Achieve Objective (Information, Money, Training, Equipment, Time, etc.)	Deadline or Benchmark Dates	How success of each learning objective will be measured	Verified? Yes ( ) No ( )
Example: I want to learn to conduct public meetings and make effective presentations.	I will take over public meeting facilitator role from department head. I will need to take a PowerPoint class and a Presentation Skills class.	1. Presentation Skills class 2. PowerPoint class 3. Time to take classes 4. Money for classes if not offered by HR 5. Time to meet with dept. head to do run-through of PowerPoint presentation	Three months to complete classes. Six months to complete objective	Dept. Head will observe me conducting the meeting and will assess how well I prepared for the meeting by seeing how I handle questions from the audience, and by getting feedback from audience members.	

Learning Objective	Methods and Strategies to meet the Objectives	Resources Needed to Achieve Objective (Information, Money, Training, Equipment, Time, etc.)	Deadline or Benchmark Dates	How success of each learning objective will be measured	Verified? Yes ( ) No ( )

This form also available at www.co.henrico.va.us/hr/ in the forms section (11/01) 2

Steps Three & Four

This form also available at www.co.henrico.va.us/hr/ in the forms section (11/01) 3

SUCCESSION MANAGEMENT EVALUATION FORM

Reporting Period: ______________________

Due Date: ______________________

Completed by: (Name) ______________________

Title: ______________________

Section A: List all managers directly reporting to you. Then for each employee, indicate the developmental activities that have been completed during the reporting period with the purpose of developing skills of higher levels of leadership. Copy and use additional pages as necessary.

Employee/Level	Skill Being Developed	Developmental Activity	Result of Development

This form also available at www.co.henrico.va.us/hr/ in the forms section (Dept. of Human Resources 11/01)

Step Five

Section B: List your goals for the next six months regarding development of managers directly reporting to you.

Employee	Developmental Goal	Developmental Strategy

This form also available at www.co.henrico.va.us/hr/ in the forms section (Dept. of Human Resources 11/01)

Step Five

Section C: (To be completed only by Department Heads or above)

Has a vacancy of key position (County Manager, Deputy County Managers, Department Heads, Assistant Department Heads) in your area(s) of responsibility occurred during this report period?

Yes ________ No ________

Title of vacant position(s): __________________________ __________________________ __________________________

Name of selected candidate: __________________________ __________________________ __________________________

The selected candidate was: Internal ___ External ___ Internal ___ External ___ Internal ___ External ___

List all internal candidates:

NAME:	TITLE:	VACANT POSITION:
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________
______________________	______________________	______________________

List potential internal candidates who did not apply:

NAME:	TITLE:	VACANT POSITION:	COMMENTS:
______________________	___________	______________	______________________
______________________	___________	______________	______________________
______________________	___________	______________	______________________
______________________	___________	______________	______________________

This form also available at www.co.henrico.va.us/hr/ in the forms section (Dept. of Human Resources 11/01)

Recruitment:

MEASURE	MINIMUM	STANDARD	BASELINE
Percentage of new accessions versus projected requirements in accession plans	80 %	85 %	FY00
Percentage usage of existing authorities	TBD by Ctr	TBD by Ctr	TBD by Ctr
Average age of accessions	Will be tracked -- no standard established		
Measure the appropriate action taken as a result of analysis of entrance survey data	90 %	95 %	FY01
Measure on time completion of milestones			
Percentage of recruitment bonuses by center	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of relocation bonuses by center	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of student loan repayments	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of resources obtained versus resources identified as requirement	80 %	90 %	FY00
Percentage of VSIPs for force shaping	TBD by Ctr	TBD by Ctr	FY01

Retention:

MEASURE	MINIMUM	STANDARD	BASELINE
Percentage of military who re-enlist after first term	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of retention allowances	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of performance awards	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of non-performance awards	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of telecommuting participation	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of work force with less than 10 years service	25 %	30 %	17 %
Percentage of total dollars invested in awards	TBD by Ctr	TBD by Ctr	TBD by Ctr
Measure the appropriate action taken as a result of analysis of exit survey data	90 %	95 %	FY01
Percentage of usage of existing authorities	TBD by Ctr	TBD by Ctr	TBD by Ctr
Measure on time completion of milestones			
Percentage of resources obtained versus resources identified as requirement	80 %	90 %	FY00
Percentage of VSIPs for force shaping	TBD by Ctr	TBD by Ctr	FY01
Percentage of participates in phased retirement	TBD by Ctr	TBD by Ctr	NA

Employee Development:

MEASURE	MINIMUM	STANDARD	BASELINE
Percentage of supervisors attending training	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of priority one training received vs requested	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of Individual Development Plans (IDP) completed	80 %	90 %	86 %
Percentage of training requirements met	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of tuition assistance	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of total dollars invested in training	TBD by Ctr	TBD by Ctr	TBD by Ctr
Percentage of resources obtained versus resources identified as requirement	80 %	90 %	FY00
Percentage of VSIPs for force shaping	TBD by Ctr	TBD by Ctr	FY01

TVA'S RISK ANALYSIS FOR MANAGING KNOWLEDGE LOST THROUGH ATTRITION

The TVA's At-Risk Assessment   Establishing Guidelines

Retirement Factor	X	Position Risk Factor	=	Total Attrition Factor

Retirement Factor —The projected retirement dates in the workforce planning system (based upon employee estimates or on age and tenure data):

- 5 - Projected retirement date within 1 year
- 4 - Projected retirement date within 1 to 2 years
- 3 - Projected retirement date within 2 to 3 years
- 2 - Projected retirement date within 3 to 5 years
- 1 - Projected retirement date is > 5 years

Position Risk Factor—Manager's/supervisor's estimate of difficulty or effort required to replace the position incumbent:

- 5 - Critical and unique knowledge and skills. Mission-critical knowledge/skills with the potential for significant reliability or safety impacts. TVA- or site-specific knowledge. Knowledge undocumented. Requires 3-5 years of training and experience. No ready replacements available.
- 4 - Critical knowledge and skills. Mission-critical knowledge/skills. Some limited duplication exists at other plants/sites and/or some documentation exists. Requires 2-4 years of focused training and experience.
- 3 - Important, systematized knowledge and skills. Documentation exists and/or other personnel on-site possess the knowledge/skills. Recruits generally available and can be trained in 1 to 2 years.
- 2 - Proceduralized or non-mission critical knowledge and skills. Clear, up-to-date procedures exist. Training programs are current and effective and can be completed in less than one year.
- 1 - Common knowledge and skills. External hires possessing the knowledge/skill are readily available and require.

Total Attrition Factor—Estimated effort and urgency necessary to effectively manage the attrition.

- (20 and higher) High Priority - Immediate action needed. Specific replacement action plans with due dates will be developed to include: method of replacement, knowledge management assessment, specific training required, on-the-job training/ shadowing with incumbent.
- (16-19 points) Priority - Staffing plans should be established to address method and timing of replacement, recruitment efforts, training, shadowing with current incumbent.
- (10-15 points) High Importance- Look ahead on how the position will be filled/ work will be accomplished. College recruiting, training programs, process improvements, reinvestment.
- (1-9 points) Important - Recognize the functions of the position and determine the replacement need.

Human Resource Services

Biographies

MARY B. YOUNG

"*Demography is destiny*." If this quote from the French philosopher Auguste Comte were a bumper-sticker, then Mary Young would want one for her car.

As a doctoral student at Boston University's School of Management, she ran across some interesting demographics that no one else had noticed: The workforce was changing. Married parents with children under age 18 were becoming a small minority (about 24%) of the US workforce, while single and partnered workers without children under age 18 were becoming the majority. This discovery was important, be cause it reframed what were then called "work/family" issues. As the workforce was becoming more diverse in terms of people's marital and parent status, so were their reasons for seeking balance between their work and personal lives.

Reported in the *New York Times, the Wall Street Journal, Fortune, Business Week, USA Today, Training, Working Mother*, *Financial Times* and National Public Radio, Young's research on work time and work/life issues called attention to changing workforce demographics— the result of adults marrying later, delaying parenthood, working longer, and typically spending some part of their careers as singles.

Young is pleased to have begun a new program of research rooted in another demographic trend. As Principal Research Consultant at the Center for Organizational Research, a division of Linkage, Inc., she investigated how US employers in three sectors—government, healthcare and energy—are coping with an aging workforce and the inadequate pool of younger workers who can replace them. However demography shapes the destiny of human resource policy in the next decade, it continues to be an intriguing source of research ideas for Young.

LINDA MURRAY

As Director of the Center for Organizational Research, Linda Murray manages research programs for organizations worldwide. In this capacity, she develops research products and services for human resources and organizational development professionals at major corporations and non-profits.

Prior to joining Linkage, she was Director of Member Services for the Corporate Executive Board, a Washington, DC-based strategic research firm, providing best practices research and executive education to a membership of 1,300 of the world's leading corporations. She directed member relations for three of the Corporate Executive Board's membership programs: The Corporate Leadership Council (for senior HR executives), the Working Council for Chief Information Officers (for CIOs and their IT staffs) and the Sales Executive Council (for senior sales executives). She identified the information needs of senior executives and then developed programs of customized research, executive retreats, and on-site training to provide clients with the information they needed to make critical business decisions. Her clients included Microsoft, AT&T, Merck & Co., Cisco, Delta Airlines, and Procter & Gamble.

Murray also served as a Research Associate in the Corporate Executive Board's sister organization, The Advisory Board, a healthcare think tank. In this role, she conducted original research for physicians, managed care organizations, pharmaceutical companies and others in the healthcare field. Her research focused on clinical areas, as well as issues of leadership in the healthcare arena.

In a related healthcare endeavor, she was a Business Development Consultant for e-Hospital, an Internet company that created a consumer healthcare web portal. Headquartered in Washington, DC, e-Hospital hired Linda to open its Boston office and establish a presence in the Boston medical community. Linda partnered with physicians and the nation's premiere health care associations to develop content and resources for the web portal. Some of the partners Linda attracted included the American Heart Association, Massachusetts General Hospital, the American Cancer Society and Harvard Medical School.

Murray is a summa cum laude graduate of the University of Pennsylvania with a degree in Communications and concentrations in Management and Marketing from The Wharton School.

Linkage, Inc., she investigated how US employers in three sectors—government, healthcare and energy—are coping with an aging workforce and the inadequate pool of younger workers who can replace them. However demography shapes the destiny of human resource policy in the next decade, it continues to be an intriguing source of research ideas for Young.

The Center for Organizational Research

The Center for Organizational Research, a division of Linkage, Inc., provides strategic research and best practices information to organizations worldwide. Our research focuses on human resources, organizational development, and corporate strategy and management.

Our mission: To provide organizations with the information they need to secure and sustain their competitive advantage. By providing thorough, hard-to-find research and benchmarking data, we improve the way professionals approach their work and elevate their thinking on strategic issues.

Recent studies include:

- Action Learning Today: How Five leading Companies Use Action Learning to Tackle Business Challenges and Develop Leaders
- The Brave New World of Recruiting and Retention
- Effective Succession Management
- E-Learning: Employing Digital Solutions to Drive Organizational Learning and Competitiveness
- High-Impact Leadership Development
- Innovations in Performance Management

For more information, visit our website (www.cfor.org) or contact:

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(http://www.cfor.org)

About Linkage, Inc.

Linkage, Inc. (http://www.linkageinc.com) is a leading provider of corporate education programs, services, and products. More than 30,000 executives and management professionals have attended a Linkage institute, conference, workshop, or corporate education program. Linkage also provides assessment, consulting, and research services to *Fortune 500* companies and other leading organizations, as well as a range of tools and publications focused on leadership development, recruiting and retention, performance management, change, and additional related issues. Founded in 1988, Linkage is headquartered in Lexington, Massachusetts, with regional offices located in Atlanta, Brussels, London, Minneapolis, and San Francisco.

CPS Human Resource Services

CPS Human Resource Services (CPS) is a governmental agency committed to improving human resources in the public sector. As a self-supporting public agency offering a full range of human resource products and services, our highly qualified, professional staff provides practical personnel solutions for state agencies, boards and commissions, cities, counties, special districts, school districts, colleges and universities, federal agencies, and non-profit organizations throughout the United States and Canada.

Based in Sacramento, CA, with a regional office in Madison, Wisconsin, CPS has provided testing and human resource management services to public agencies for more than 60 years. Our network of consultants includes former state and local government human resource executives.

We are focused on results, immediately available, and dedicated to your success.

CPS is organized into four areas of expertise:

Test Services: Clients look to us for the most comprehensive testing services in the country. Our expertise in developing, administering, and providing occupational, certification and licensure exams spans a full range of professions and levels. We also offer customized assessment centers.

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Holding On:
How the Mass Exodus of Retiring Baby Boomers Could Deplete the Workforce What Some Employers Are Doing to Stem the Tide

THE DEMOGRAPHICS

America is rapidly approaching a crisis in its workforce, triggered by the convergence of two demographic trends: the growing number of aging Baby Boomers in the population and the much smaller number of younger people who follow behind them. Figure 1 shows the changing age distribution within the US population between 2000 and 2010: the dramatic upswing in the number of persons age 50-69, the shrinking population of 30-44-year olds, and the modest increase in the next cohort of twenty-somethings.

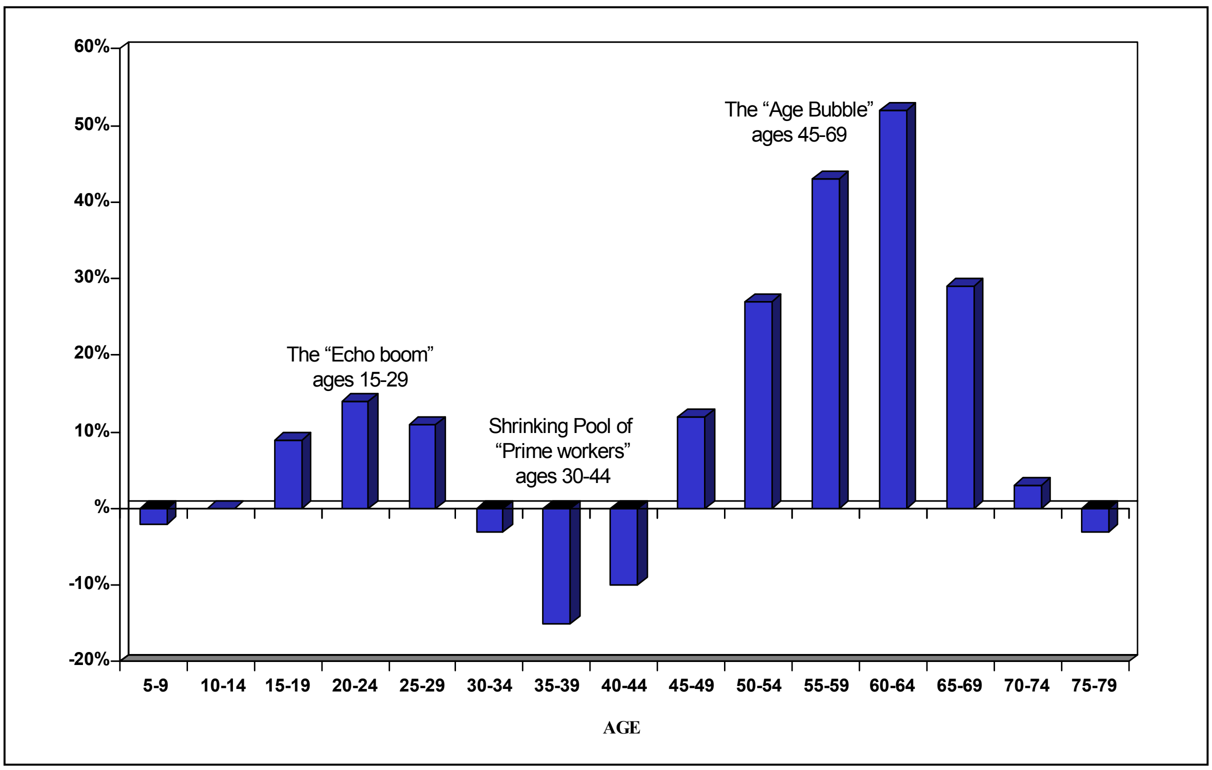

Figure 1: Percentage Change in Population by Age Group, 2000-10 (Estimated)

Source: DRI-WEFA

IMPACTS ON THE WORKFORCE

These changes will play out in the workforce. The proportion of older workers (age 55 and up) is expected to shoot up an average of 4% *per year* between 2000 and 2015, as shown in Figure 2.

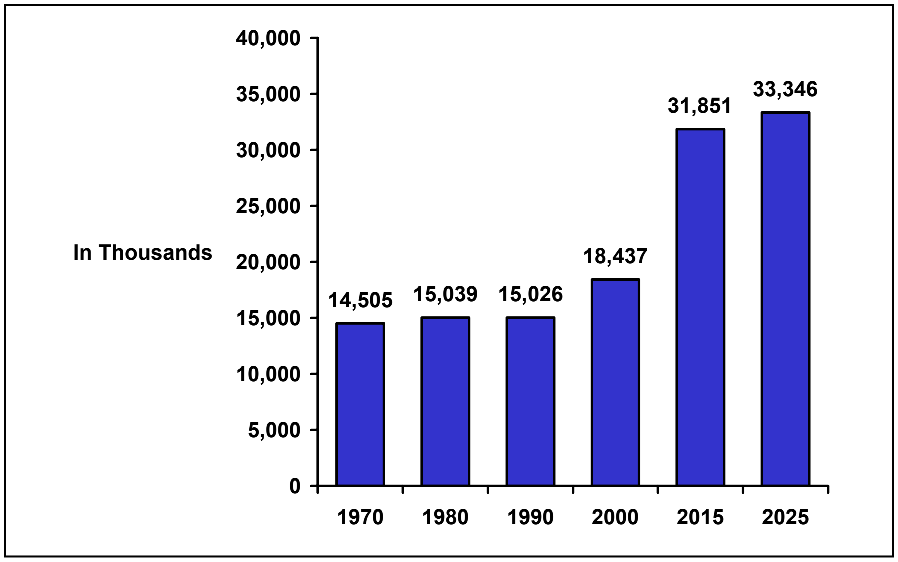

Figure 2: Past and Projected Numbers of Workers Over Age 55, 1970 – 2025

Source: The United States General Accounting Office (GAO), 2001

The rapid increase in workers over age 55 is due to the "Age Bubble." It is also due to a general trend in the US toward greater labor force participation by older persons (GAO, 2001).

WHAT IS THE AGE BUBBLE?

The Age Bubble is the balloon effect created by the baby boom generation (people born between 1946 and 1964) whenever it does anything *en masse*—whether it's starting school (which led to overcrowded classrooms and double-sessions, followed by a building boom in new schools), becoming teenagers, going to college (another spate of professor-hirings and expanded campuses), becoming parents, turning 50 (The AARP reinvented itself to become more attractive to "young elders"), or retiring (the focus of this report). The sheer number of baby boomers who will become eligible for retirement between now and 2015, coupled with the much smaller pool of younger workers who can take their place, make the Age Bubble a critical human resource issue for employers.

But the growing ranks of older workers is not the only shift that will be taking place in the workforce. The proportion of younger workers is also shrinking. According to the Bureau of Labor Statistics (BLS), workers age 25-44 will decline by 3 million, dropping from 51% of the labor force in 1998 to 44% in 2008, while, over the same period, workers age 45+ will increase from 33% to 40% of the workforce, an additional 17 million workers (Dohm, 2000).

WHAT THESE CHANGES MEAN FOR EMPLOYERS

The graying of the US workforce is not just a cosmetic change. In some sectors of the economy, it will bring a serious shortage of workers. According to a recent report from the Employment Policy Foundation, more than 61 million Americans will retire during next 30 years. Within five years, the US workforce will begin to dwindle.

How severe could the impact be? If the present trend continues, the Foundation projects, the US will face a labor shortage of 4.8 million workers in 10 years, 19.7 million in 20 years and 35.8 million in 30 years. College-educated, highly skilled workers will be in particularly short supply. Unless these shortages can be averted, the country's gross domestic product, the output of goods and services produced by labor and property located in the United States, could drop 3% in 10 years and 17% or more in 30 years. For workers, that would translate into a significant drop in average per capita income (Employment Policy Foundation, 2001).

WHICH SECTORS WILL BE MOST AFFECTED?

Not all industries will be affected equally by these changes. Some will take an especially hard hit, while others may experience a smaller, or delayed, impact.

BLS projects that five industries will be most affected by retirements in multiple occupations (Dohm, 2000):

- manufacturing
- public administration
- educational services
- transportation
- health services (especially hospitals)

A recent study by William M. Mercer Company surveyed 232 large employers in a variety of industries. While only 9% report that more than 35% of their workforce is currently over age 50, 55% anticipate that will be the case in 15 years. The percentage of organizations in each industry category with at least one quarter of their workforce over age 50 is indicated in the parentheses (William M. Mercer Company, 2001):

- Higher education (83%)
- Government (50%)
- Manufacturing (38%)
- Not-for-profit service (29%)
- For-profit service (12%)

Note that it's not simply the number and proportion of older workers that determine which industries will be most affected, or affected soonest, by baby-boomer retirements. Other factors also contribute, including early retirement incentives. For example, many workers in public education and government can retire earlier than those in the private sector—often, at age 55. In fact, many government workers are encouraged to retire early because their pensions are defined benefit contribution plans that provide the retiree maximum benefits when taken at the earliest possible age of eligibility (Dohm, 2000).

It's important, therefore, to look not only at the workforce numbers but also at structural factors, such as retirement and pension policies, to assess the timing and severity of baby boomer retirements within a particular industry or organization.

SOME OCCUPATIONS ARE ESPECIALLY VULNERABLE

Certain clusters of occupational groups will see a dramatic increase in vacancies (called "replacement needs") due to employee retirements, according to the BLS. The greatest turnover is expected to be in executive, administrative and managerial occupations. Workers age 45 and older now make up 41% of this group, and 42% of them are expected to retire by 2008 (Dohm, 2000).

Figure 3 shows the projected number of workers age 55 and older by major occupation.

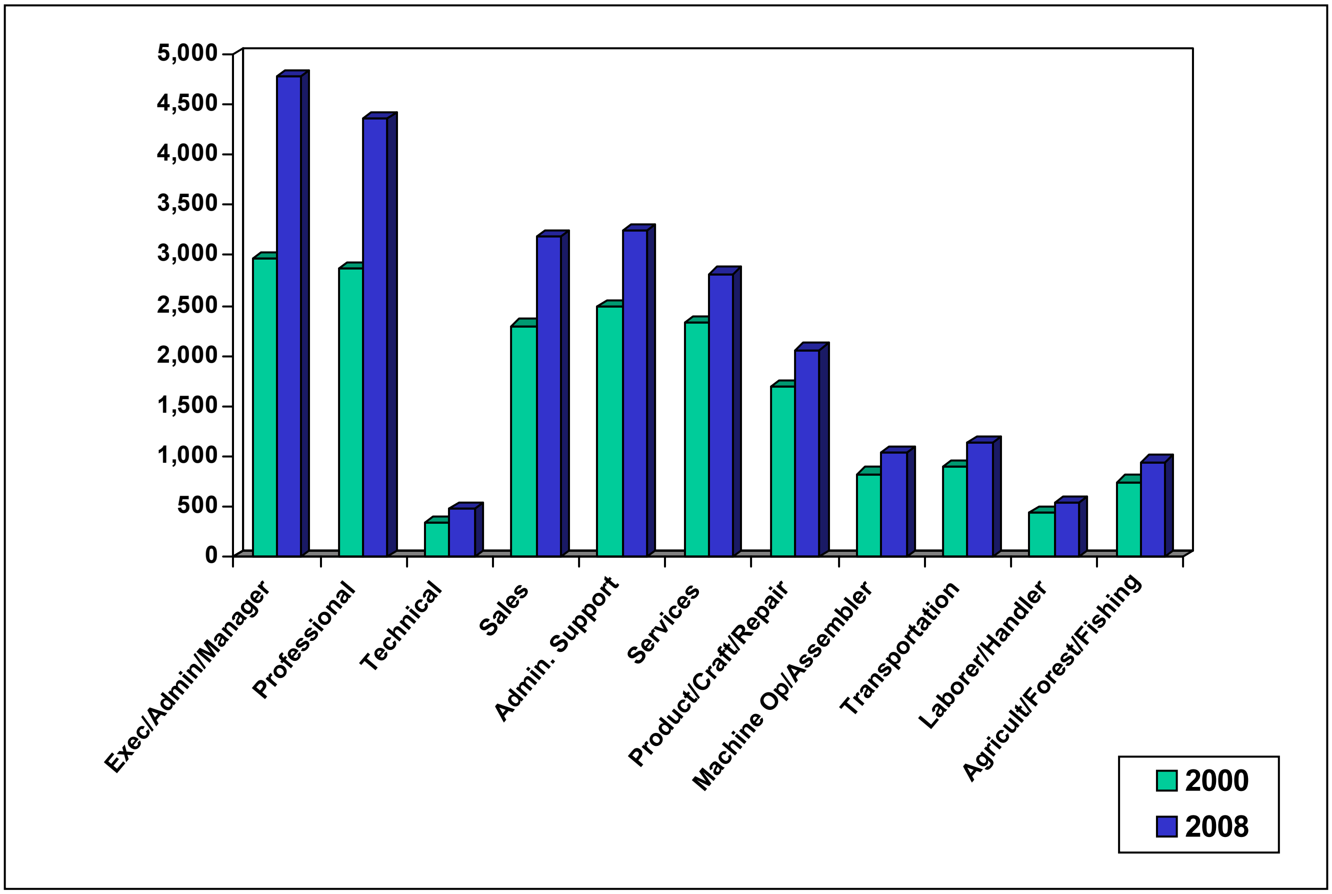

Figure 3: Projected Change in the Number (in millions) of Workers 55 Years of Age and Older by Major Occupation, 2000 and 2008

Source: GAO, 2001

Why are older workers disproportionately represented in some occupations in comparison with others? BLS economist Arlene Dohm (2000) notes that multiple factors may contribute:

- The occupation has a large number of executive, supervisory or administrative employees; such workers are typically older than front-line employees.
- The occupational group is becoming obsolete due to technological development, reducing the number of new entrants, as is the case with many clerical and manufacturing jobs.

- Highly educated professional occupations have more older workers because the opportunity costs are greater for such high-wage earners to leave the field. Many choose to continue working longer because they enjoy their work.
- Because knowledge work is less taxing than more physically demanding jobs, workers in these jobs are able to continue working later in life.
- Some occupations listed in Figure 3 employ a large number of part-time workers, a work arrangement that tends to attract older workers.
- Downsizing or a temporary oversupply (as in the case of teachers) may have scaled back hiring during a specific time period, thereby increasing the proportion of older workers.
- In unionized occupations, such as airline pilots, senior workers are given preference and turnover tends to be low.
- Some occupations, such as tool and die makers, simply fail to attract younger workers.

Figure 4 presents replacement needs for individual occupations that will be most affected by baby boomer retirements, according to the BLS. Of particular interest is the last column, which shows the dramatic increase in replacement needs in these occupations during the period from 2003 to 2008, as compared to 1993 to 1998.

Occupation	Retiree replacement needs, 1993-98[1]	Retiree replacement needs, 1998-2003	Retiree replacement needs, 2003-2008	Percent change, 1993-98 to 2003-2008[2]
Total, all employees	9,419	10,411	11,794	25.2
Airline pilots and navigators	5	9	14	172.7
Management analysts	6	11	16	152.0
Teachers, special education	8	11	19	135.4
Photographers	3	4	5	94.8
Teacher aides	27	38	52	91.8
Industrial engineers	11	15	21	87.6
Eligibility clerks, social welfare	5	6	9	85.0
Personnel & labor relations managers	7	9	13	83.6
Postal clerks, except mail carriers	16	20	30	81.0
Supervisors, police & detectives	9	14	17	80.2
Plumbers, pipefitters, and steamfitters	21	28	36	73.6
Financial managers	34	44	58	73.1
Psychologists	15	17	26	73.0
Social workers	32	40	54	72.0
Lawyers	33	42	57	71.6
Administrators, education & related fields				
Teachers, elementary school	59	78	101	70.6
Registered nurses	141	181	237	68.8
Administrators, officials, public admin	116	143	188	62.6
Chemists	50	62	81	60.3
	7	7	11	57.6

Figure 4: Occupations most affected by baby boomer retirements, 1993-2008

Source: Dohm, 2000
(Numbers in thousands)

1 Numbers based on 5-year average, not equivalent to total employed.
2 Calculated percentage uses unrounded numbers.

To see how three of the industries that will be most affected by the Age Bubble— public administration, education, and health care— will feel the pain, look at Figure 5. Unfortunately, each of these industries employs multiple occupational groups that have a significant number and percentage of workers age 45 and older. And, within each of these occupations, it employs at least 20% of the workforce. The final column shows the percentage of employees in each occupation who are expected to leave by 2008.

Industry and Occupations	Total employed, 1998	% employed 45+, 1998	Retiree replacement needs, 1998-2008	% workers 45+ leaving occupation, 1998-2008
Public Administration				
Administrators & officials ……………………..…..	632	59	143	41.7
Inspectors & compliance officers ……………..….	238	48	42	39.4
Supervisors, police & detectives ………………..	118	45	31	70.9
Lawyers …………………………………………	955	44	99	27.7
Eligibility clerks, social welfare ………………..	94	39	14	34.7
Supervisors, general office ……………………..	398	39	79	48.2
Personnel clerks, excluding payroll and time …..	74	39	96	53.4
Sheriffs, bailiffs, other law enforcement ………..	162	38	13	25.7
Social workers …………………………………..	751	34	95	39.1
Dispatchers ……………………………………...	235	34	39	55.4
Educational Services				
Librarians ……………………………………….	209	57	50	46.4
Administrators, education & related fields ……..	754	56	178	47.1
Teachers, secondary school …………………….	1,228	50	378	66.8
Counselors, educational & vocational ………….	231	50	56	48.4
Teachers, college and university ……………….	922	45	195	50.1
Teachers, elementary schools …………………..	1,957	43	418	54.4
Janitors and cleaners …………………………...	2,247	42	408	47.8
Teachers aides ………………………………….	635	41	90	38.1
Teachers, special education ……………………	382	38	29	22.6
Records clerks …………………………………	206	37	23	37.1
Library clerks …………………………………..	174	37	22	39.4
Health Services/Hospitals				
Dentists ………………………………………..	156	51	29	40.3
Psychologists ……………………………….....	233	49	43	36.9
Physicians ……………………………………...	743	46	108	37.2
Registered Nurses ……………………………...	2,039	39	331	47.2
Dieticians ………………………………………	91	37	19	57.3
Interviewers ……………………………………	167	37	22	43.9
Dental lab and medical appliance technicians ..	54	35	11	64.7
Licensed practical nurses …………………….....	382	35	85	59.1

Figure 5: Occupations with greater-than-average number of age 45+ workers in three of the most affected industries

Source: Dohm, 2000.

THE BOTTOM LINE

What do all these projections add up to? Here are the key implications:

- The US workforce, as a whole, will be affected by the steep rise in the number and proportion of older workers and the dwindling replacement pool of younger workers.
- Some occupations will be disproportionately affected.
- Industries that employ a significant number of these occupational groups and, within those occupations, employ more than 20% of the workforce, will be most severely affected. These industries are manufacturing, public administration, educational services, transportation, and health services (especially hospitals).
- While some employers—for example, those in education and public administration—are already feeling the effects of these changes, the greatest impact is expected to be felt as the first baby boomers reach retirement age, which has averaged at about age 62 across industries, but which is likely to rise because of changes in Social Security (Dohm, 2000).

WHAT EMPLOYERS MUST DO

While it's clear that the Age Bubble's impacts will affect employers differently in terms of intensity and timing, most organizations will face common challenges in coping with the changing demographics of the workforce. They will need to:

- Slow the departure of older workers (or, at least, some of those workers) due to retirement
- Enhance older workers' capacity through continuing training and development
- Attract, develop and retain younger workers, despite increased competition for a smaller labor pool
- Facilitate the transfer of knowledge, skills and relationships from older workers to their successors
- Implement succession planning and management
- Manage intergenerational issues within the workplace
- Address age bias (perceived or actual)

So how well prepared are employers to meet these challenges? The next section of the report takes stock of where things stand today regarding the first agenda item above: slowing the departure of older workers.

THE GOOD NEWS

The good news for employers is that 80% of baby boomers plan to work at least part time during retirement, according to a 1998 study by AARP and Roper Starch Research. The study found that 35% expect to work part time, mainly for the sake of interest and enjoyment, while 23% will work part-time mainly for the income. Seventeen percent expect to start their own business and 5% think they'll work full time in a new job or career (AARP, 1999).

The Employee Benefits Research Institute conducts an annual Retirement Confidence Survey, which found in 2002 that 66% of current workers—including both baby boomers as well as more senior and junior workers—expect to work for pay in retirement.

THE DESIRE FOR PHASED RETIREMENT

Yet despite the desire and anticipated need to work after the official retirement age, it's important to note it's not the fast track that most employees aspire to at this stage of their career. Rather, it is for shorter hours, more flexible schedules, reduced responsibilities, or other kinds of phased retirement.

A Cornell University study found that nearly half (48%) of workers age 54-74 who were currently working in their career occupations would prefer to work fewer hours. Their reasons for working more hours were workload and job demands (41%) and financial factors (28%) (Moen, Erickson, Agarwal, Fields and Todd, 2000).

The University of Michigan Health and Retirement Study— an ongoing study of 20,000 Americans over the age of 50— found that most respondents would prefer to retire gradually, working fewer hours with less responsibility. However, the same study found that the most common pattern was a complete switch from full-time work to full-time retirement (University of Michigan, 1998). The next section suggests some of the reasons for this apparent disconnect between what older workers say they want in terms of phased retirement, and the employment choices they make when they reach retirement age.

THE BAD NEWS

In light of the looming shortage of workers under age 65, it is good news that the majority wants to continue working after they reach retirement age. Yet there is also bad news: The opportunities for older workers to stay on are extremely limited at present. There are currently many barriers—some at the employer-level, others that are related to government policy and even cultural values— that must be overcome.

For example, the Cornell study found that job requirements and company policy were common explanations for older workers working more hours than they preferred. The study also found that employees' position within the company was related to their perception that reduced work hours was an option. Those in managerial or professional roles were far more likely (64%) to believe the company would allow them to reduce their work hours, compared to just 31% of production and service workers. The researchers concluded, "either rules or awareness vary by position within an employing organization" (Moen et al., 2000, 7).

Other studies reveal that many employers have not yet taken steps to retain or attract older workers. A 2001, William M. Mercer, Inc. survey of 232 large US employers found that 55% have no specific goals for employing older workers. A relatively small percentage target retention efforts to workers with special expertise or key relationships (30%) or to workers with hard-to-replace skills (29%). Just 16% encourage all older workers to stay on.

Seventy-seven percent of the companies Mercer surveyed have no formal programs in place to help employees gradually phase out of work. Sixty-five percent said that doing so had not been a priority, while 53% said the organization preferred to make such arrangements on an individual basis. (William M Mercer and Company, 2001.)

When the human capital consulting firm Watson Wyatt Worldwide surveyed 586 of its clients in 1999, only 6% offered some type of flexible work arrangements, either on a programmatic or an individual basis. Such offerings were most common in the education sector (36%), public administration (21%), and health care (18%)—industries, it will be recalled, that are among those most affected by the Age Bubble. Phased retirement programs were least common in utility companies (7%). However, 28% of companies surveyed planned to set up a phased retirement program in next three years (Watson Wyatt Worldwide, 1999).

Overall, public employers appear to be ahead of private ones in making an effort to retain older workers, according to the GAO. This is not surprising, perhaps, given the fact that public administration is one of the first sectors to be affected by the Age Bubble. In addition, it may be easier for public employers, than for private, to adjust their retirement benefits to encourage older workers to defer retirement, according to the GAO.

In addition to retaining older workers by offering phased retirement, employers may court former employees who have already retired to lure them back to work. While 41% of the companies surveyed by Mercer had no policy regarding rehiring retirees, the study found such policies were commonplace in government (89%) and higher education (88%).

HOLDING ON: HOW EMPLOYERS CAN SLOW THE DEPARTURE OF OLDER WORKERS

These studies suggest that US employers will need to play catch up fast to prepare for changes in workforce demographics. First, organizations need to assess their current talent pool against future business goals. They must compare the expected talent drain due to employee retirements against the available pool of younger workers—both those they already employ as well as those they might be able to hire in the future. If it may be difficult to replace the knowledge, skills and relationships that will be lost when older workers retire, then the organization should consider making phased retirement available to all or selected employees. Phased retirement may include:

- flexible work arrangements (telecommuting, part-time work, on-call work, job-sharing, consulting or contracting for limited periods of time, reduced work days/weeks, or seasonal employment)
- reduced responsibilities
- special projects

However, it will take more than phased retirement to slow the mass exodus of retiring baby boomers. Other issues that discourage older workers from continuing to work, including structural and cultural factors, must also be addressed (Rappaport, Maciasz and Bancroft, 2001).

STRUCTURAL FACTORS

Structural factors operating at both federal and organizational levels can work against employers' efforts to retain or attract older workers. Examples of such structural factors include the Social Security Program, private pension plans, early retirement incentives, Medicare and health coverage, and disability insurance. While an extended discussion of each of these is beyond the scope of this report, a forthcoming paper, *The Age Bubble: An Annotated Bibliography*, will contain several excellent resources on the topic. The important point, for the purposes of this report, is that employers who want to retain older workers must do more than offer phased retirement. They must also ensure that other programs and systems support that goal.

The GAO report on older workers offers the following example of how employers in one sector have made structural changes to encourage older workers to remain on the job:

> "Driven in large part by teacher shortages in many public school districts, state and local government employers have implemented programs to provide incentives for older employees to remain on the job. In many instances, these incentives were created by redesigning their state-funded benefit pension plans to include Deferred Retirement Option Plan (DROP) features that allow a pension participant at an eligible retirement age to have pension benefits start even though he or she continues to work" (GAO, 2001, 27-28).

According to the GAO, Arkansas, California, Louisiana and Ohio have adopted DROP programs to encourage older teachers to continue teaching, rather than retire.

However, the GAO also notes that current regulations under the Internal Revenue Code and the Employee Retirement Income Security Act of 1974 (ERISA) may inhibit private employers— particularly those who offer defined benefit pension plans, rather than defined contribution pension plans— from implementing DROP plans or other flexible work arrangements. Again, the reader is referred to other sources (see GOA, 2001, pages 29-31; Committee for Economic Development, 1999, 21-27) for a detailed discussion of the relevant federal regulations. The GAO recommended that the Secretary of Labor organize a task force to address these issues to make it easier for private employers to keep older workers working.

CULTURAL ISSUES

An organization's past experience with flexible work arrangements— for example, part-time work, working from home or job-sharing— is likely to influence whatever initiatives it puts in place to facilitate phased retirement. Has the organization already developed policies that enable employees to request flexible work arrangements for other purposes, such as caring for dependents or going to school? And if such programs are in place, how are they perceived by managers and employees: Are they seen as fair? Are they *used*? And are they effective in meeting the needs of both the organization and the employee? The organizational history in regard to flexible work arrangements will influence how older workers, their managers and coworkers respond to phased retirement initiatives. It is important, therefore, to take stock of lessons learned before attempting to implement new programs.

A second aspect of organizational culture concerns attitudes toward older workers. What do organizational practices—ranging from retirement policies, to recruitment and retention strategies, to reward systems, to the speeches made during new-employee orientation— convey about the value of older workers? Employers must take stock of the current culture and identify beliefs, attitudes and practices that undermine the objective of retaining and attracting senior members of the workforce.

CONCLUSION

As the first in a series of white papers about the Age Bubble, this report has sought to establish the Age Bubble's importance as an agenda item for employers. Its primary purpose is to draw attention to the topic and give organizations information that will help them begin to determine the issue's potential relevance to their own workforce.

The next white paper in this series will present a readers' guide to the Age Bubble and its impacts. This annotated bibliography will be topically organized, pointing human resource, organizational development, training and other professionals to the best resources we have found, culled from our investigation of a much longer list of books, reports, articles, and websites.

With the publication of the present white paper, The Center for Organizational Research is launching a program of research related to the Age Bubble. Our intention is to further investigate the issues presented on page 7 ("What Employers Must Do") within selected industries and to identify innovative practices that address those issues. The results of these studies will be published in future research reports.

FOR ADDITIONAL INFORMATION

For additional information about our Age Bubble research and how you can become involved, please contact:

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ABOUT THE REPORT'S AUTHOR

"*Demography is destiny*." If this quote from the French philosopher Auguste Comte were a bumper-sticker, Mary Young would want one for her car.

As a doctoral student at Boston University's School of Management, she ran across some interesting demographics that no one else had noticed: The workforce was changing. Married parents with children under age 18 were becoming a small minority (about 24%) of the US workforce, while single and partnered workers without children under age 18 were becoming the majority. This discovery was important, be cause it reframed what were then called "work/family" issues. As the workforce was becoming more diverse in terms of people's marital and parent status, so were their reasons for seeking balance between their work and personal lives.

Reported in the *New York Times, the Wall Street Journal, Fortune, Business Week, USA Today, Training, Working Mother*, *Financial Times* and National Public Radio, Young's research on work time and work/life issues called attention to the changing workforce demographics— the result of adults marrying later, delaying parenthood, working longer, and typically spending some part of their careers as singles.

Currently Principal Research Consultant at the Center for Organizational Research, a division of Linkage, Inc., Young is pleased to be beginning a new program of research rooted in another demographic trend. In the coming year, she and her CFOR colleagues will be investigating how US employers are preparing to cope with the aging of the US workforce and the inadequate pool of younger workers who can replace them. However demography shapes the destiny of human resource policy in the next decade, it continues to be an intriguing source of research ideas for Young.

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